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ABSTRACT

This report describes the process of drawing up a national urban policy, summarizes the views presented at various forums, and sketches much of the data and analyses relied upon by urban policymakers. Part I summarizes the process of American urbanization leading to the emergence of a new stage in urban development. Part II describes changing population trends and economic activity and its impact on the economic and social well being of urban communities. Part III discusses underlying changes in energy and resource availability, population, lifestyles, and the economy affecting urban and regional development. Part IV focuses attention on the problems of communities in economic transition. Part V summarizes the efforts and impacts of government at all levels and of the private sector in addressing urban needs. Part VI describes the process followed in developing national urban policy and summarizes the urban policy principles, objectives, and strategies recommended to the President. Transcripts of the National Urban Policy and New Community Development Act of 1970 and the President's Message to Congress on the National Urban Policy (1978), and a bibliography of sources are appended. (Author/MK)

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The President's National Urban Policy Report

JUN 2 4 1980

1978

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UDO 20717

To the Congress of the United States

I am forwarding herewith the First Biennial Report on National Urban Policy in accordance with Sections 702 and 703(a) of the Housing and Urban Development Act of 1970, as amended in 1977.

Jimmy Carter

The White House,
August, 1978

The President's 1978 National Urban Policy Report

A Biennial Report To The Congress
Submitted Pursuant to Sections 702
And 703 (a), National Urban Policy
And New Communities Development
Act, As Amended in 1977

Prepared By The U.S. Department of
Housing and Urban Development

August, 1978

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Preface

In enacting the National Urban Policy and New Community Development Act of 1970, as amended in October 1977, Congress proclaimed its purposes to:

- Provide for the development of a National Urban Policy;
- Encourage orderly economic growth, development, and redevelopment in our states, metropolitan areas, and nonmetropolitan communities;
- Encourage the prudent use of our energy and natural resources; and
- Encourage and support development which will assure our communities of adequate tax bases, community services, job opportunities, and good housing in socially and economically well-balanced and physically attractive neighborhoods.

To help measure the Nation's progress toward these objectives, the President is required to submit to Congress a biennial report that includes:

- Information on significant urban trends that relate to the development of the Nation's communities;
- A summary of significant problems facing the United States as a result of these trends and developments;
- An examination of housing and related community development problems experienced by cities undergoing a growth rate which equals or exceeds the national average;
- An evaluation of the progress and effectiveness of Federal efforts to carry out a national urban policy;
- An assessment of interstate efforts affecting a national urban policy;
- A review of state, local, and private policies and plans and programs relevant to national urban policy;
- A projection of current and foreseeable needs in connection with a national urban policy; and
- Recommendations for carrying out such policies.

This Report, the first to be submitted to Congress under the amended Act, describes some progress and some distress among the Nation's states, metropolitan areas, and nonmetropolitan communities. The report differs from its predecessors in restricting its emphasis to trends affecting urban areas rather than a broad discussion of the growth of the Nation as a whole. In part, this recognizes the intent of Congress in amending the Act in 1977 to designated this biennial report the "National Urban Policy Report" as distinct from the more general and ambiguous "Report on Urban Growth" required under earlier language. It also reflects the conviction of this Administration that a sharper focus on urban development issues is more useful to Congress than the general surveys submitted by previous Administrations.

The 1976 Report provided a general summary of population, social, physical, economic, and technological trends affecting the Nation's overall growth and development. Only two years later, little purpose would be served in reiterating such a broad survey although identification of urban decline trends is appropriate. Most of the forces at work within the Nation's economy in 1976 persist with little alteration in 1978. Additionally, many of these broader aspects of our national growth and development are treated in separate reports to the Congress, most notably:

- The Economic Report of the President;
- The Rural Development Progress Report of the Secretary of Agriculture;
- The Report of the Council on Environmental Quality;
- The Employment and Training Report of the President; and
- The 1978 White House Conference on Balanced National Growth & Economic Development Reports.

However, it would appear to be useful for Congress to receive periodically an overview of the Nation's growth and development trends of the kind submitted in 1976. It appears appropriate for such a report to be submitted in 1982 following the next decennial census when new information will permit more detailed analysis of social, economic, and physical trends. In the meantime, the 1980 National Urban Policy Report should pursue in depth the unresolved issues raised in this report.

The 1978 Report describes the process of drawing up a national urban policy, summarizes the views presented at various forums, and sketches much of the data and analysis relied upon by the urban policymakers. Part I briefly summarizes the process of American urbanization leading up to the emergence of a new stage in the nation's urban development. Part II describes the changing national distribution of population and economic activity and its impact upon the economic and social well-being of the Nation's urban communities. Part III discusses the underlying changes in energy and resource availability, population, lifestyles, and the economy that are affecting the Nation's urban and regional development and will continue to influence it in the future. Part IV focuses particular attention upon the problems of communities in economic transition. Part V summarizes the efforts and impacts of government at each level and the private sector in addressing urban needs. Part VI describes the process followed in making a national urban policy—both its interagency and public consultation aspects; and it summarizes the urban policy principles, objectives, and strategies recommended by the URPG to President Carter. These principles, objectives, and strategies constitute the urban policy of the Carter Administration. On the basis of this policy and an accompanying analysis of existing

programs, various changes to existing programs have been recommended to bring them more in line with the urban policy. In addition, President Carter has proposed various new initiatives to fill gaps in existing urban programs. The text of President Carter's message to Congress outlining the new initiatives is presented in Appendix B.

This Report, then, differs from previous Reports in that it not only surveys urban problems. It also presents a comprehensive urban policy. This policy calls for a new partnership to conserve America's communities, and it is already being employed to guide policy formation and program implementation in the Carter Administration.

The continuing decentralization of the Nation's 218 million people and the dispersal of its economic activities are having important consequences, good and bad, for each region and urban area of the country as it approaches 1980. For some this urban "thinning out" process has created the special pressures of rapid growth, for others the social and fiscal strain of population and employment decline.

No region has a monopoly on the problems of either growth or decline. There are urban areas in every region suffering from population and employment loss. And there are communities confronted with problems of rapid growth. Poverty and unemployment exist in most communities, but are more concentrated in some than others.

However, the older, formerly industrial cities are afflicted with absolute increases in their poor populations; meanwhile, they are losing middle and upper income population together with employment, particularly manufacturing employment.

Mismatch Between Present Policies and New Realities

As migration from nonmetropolitan to metropolitan areas has ended and national fertility rates have declined, technological forces leading to the decentralization of urban development and the dispersal of population and economic activity have become more evident. The Nation has entered a new stage of urban development, but national policies have failed to match the new problems that these changes have brought to urban communities.

It is now essential that the Federal government, states, cities, counties and other communities cooperatively improve their ability to anticipate the implications of new trends. Past perceptions are no longer a reliable guide to the urban future.

Federal policies favoring new construction over rehabilitation of existing facilities and housing must be revised to reflect the growing need to conserve energy and materials. Those favoring spread development must be modified to favor energy and capital conserving patterns of urban growth.

Federal grant-in-aid programs should extend assistance for modernization as well as construction of capital facilities. Tax policies favoring new construction over renovation and use of existing structure should be revised. National housing policies should assure an adequate ratio of rehabilitation to new construction in meeting housing needs. Transportation programs should help to reduce energy consumption and to maintain and improve existing facilities.

Future Urban Population Growth

For the foreseeable future, migration will be a more important determinant of area population growth rates than the natural increase of population. Many communities and urban areas must therefore now plan for population decline rather than population growth, an unaccustomed challenge in the United States. The combination of rapidly rising participation of women in the work force together with the entry of the postwar generation into the labor market, will place strains on the job market until the first half of the 1980s, after which there will be a significant diminution in new entrants into the labor force. In the meantime, unemployment among black teenagers is unacceptably high. Workers displaced by manufacturing modernization or relocation also confront major problems in many older industrial cities.

Lifestyle Changes and Housing

Even though population growth rates have dramatically declined since 1960, the household formation rate will remain high through the first half of the 1980s as the postwar generation reaches adulthood. These households are much smaller than those of the past with many households consisting of singles, unmarrieds, groups living together, families with a single parent at their head, and two breadwinners rather than the traditional husband-wife family. This is apt to alter the pattern of housing purchases and rentals. The outflow of households from central cities is far higher than new middle and upper income households taking up residence in the central areas. However, early evidence indicates a growing trend toward purchases of existing housing in older neighborhoods with important potential long-run benefits for cities, but threatening displacement of lower income minorities unless appropriate steps are taken to protect them.

Minorities are steadily improving their housing conditions and there has been acceleration in black suburbanization. However, the minority poor still lag far behind others in the quality of their living environment. Crime and deteriorating schools continue to represent major concerns for inner city residents and discourage many new householders from moving into older neighborhoods, while still others continue to move out to escape these conditions.

Employment and the Cities

The decentralization of employment has stranded many of the central city poor who are unable to move to outlying suburban or nonmetropolitan areas where there exists insufficient housing to accommodate them. But attracting new jobs into central cities will not, by itself, ensure that the central city unemployed will get those jobs. Many central cities are still the job centers for their area. They contain more jobs than they do persons in the working force. While suburban commuters come into the city to work there has been an acceleration in reverse commuting of central city residents to the suburbs to work. Suburbs and city must therefore cooperate in solving economic development problems. They are essentially interdependent, part of an interlocking net of employment relationships.

People in Distress

Special training, housing, transportation, and antidiscrimination programs must be mounted to help the central cities' structurally unemployed. Job training programs, operated in cooperation with private employers, must be used to move unemployed minorities into mainstream employment. Public service employment can be used as a short-term source of work until a permanent job is found. Work performed under public service employed should help urban communities improve their ability to attract new employment while aiding the employee in acquiring basic skills. The Federal government must mount a strong new antidiscrimination enforcement program, for evidence is strong that much minority unemployment is the result of discrimination rather than other factors.

Communities in Transition

Several components are required to address the problems of older urban areas in the midst of economic transition:

- A community and economic development component designed to create a physical environment conducive to new firm formation and to provide the economic incentives, space, land, services, and quality of operating environment required to attract and retain potential residential, nonmanufacturing, and specialized high employment manufacturing appropriate to central city locations in the future.
- Social and neighborhood components aimed at correcting the special impediments to economic revitalization, i.e., high crime rates, declining schools, and chronic welfare problems while improving neighborhood housing and living conditions; enabling workers to live anywhere of their own choosing in the metropolitan area; and diversifying the income mix of groups residing in the city itself.
- A fiscal component designed to assist cities in transition to meet the needs of their inhabitants in the face of tax base deterioration while they seek to establish a more viable economic base.

• A governmental modernization component under which the states, with Federal encouragement and proper support, enable improvements to the structure, functions, and finance of local governments in urban areas.

Progress Toward Objectives

Some states and localities have already begun to formulate new urban strategies premised upon making more effective use of existing investment and balancing new construction against re-use of the old. California, Michigan, and Massachusetts, in particular, have developed new urban strategies. Cities and metropolitan areas throughout the country are experimenting with new approaches. A new era of cooperation with the private sector in addressing economic and community development problems is now coming into evidence.

A growing trend toward regional cooperation on development problems requires a thorough reassessment of existing Federal programs supporting substate and multistate regional organizations. There is a need to reduce regional fragmentation and duplication and to strengthen capabilities in each region to mount cooperative efforts with business, labor, civic and other private interests as well as general local governments.

Awareness of the inadvertent contribution of Federal policies and programs to urban decentralization is growing. More work needs to be done to assess the cumulative urban impacts of such major Federal actions as highway construction; water resource development; tax, regulatory, and expenditure policies; and income security, housing, and community and economic development programs.

The Making of National Urban Policy

President Jimmy Carter assumed office in January 1977 committed to form new partnerships between the Federal, State and local governments and between the public and private sector for the conservation of America's communities. Early in his Administration he undertook a wide variety of actions to strengthen American cities and to improve the lives of those who live and work in them. They include: increasing CDBG funding, and changing the formula to provide more assistance to older declining cities; creating a new Urban Action Grant program to provide assistance to distressed cities; expanding youth employment and training programs; increasing the number of public service employment jobs; increasing Economic Development Administration grants to urban areas; and providing counter-cyclical financial assistance to states and cities.

In addition to this series of policy initiatives, President Carter promised a comprehensive national urban policy. On March 21, 1977, he created the Urban and Regional Policy Group (URPG), an interagency Cabinet-level body, and charged it with the responsibility for drawing up an urban policy for his Administration. The URPG followed an open policy-making process. Several task forces were created to develop policy in particular functional areas. Frequent meetings were held in which top Administration officials collaborated for the first time in a unified policy-making process. Numerous experts within and outside of government were consulted as the effort to define urban problems and alternative solutions proceeded. Citizens forums were held in each region of the country, and meetings were convened with top corporate, business and labor leaders to provide policy-makers with first hand accounts of urban problems. Special polls were conducted to determine what specific problems and deficiencies in their communities citizens were most concerned about. Numerous staff meetings at the White House with state and local officials, minority community leaders, and neighborhood representatives provided additional contributions to the national urban policy making effort. Altogether, it is estimated that over 10,000 citizens were involved in these consultations.

From these open forums, meetings, surveys and consultations, certain general prescriptions for a national urban policy emerged:

• The Federal government has a continuing responsibility to ensure equal opportunity to all citizens. It must affirmatively lead efforts to bring minorities and other disadvantaged citizens into the mainstream of economic opportunity and national life. Urban policy, while focusing on the problems of places, must be closely interwoven with people-oriented programs that are addressing the special needs of individual citizens and families living in urban communities. The freedom of choice of low-income urban residents who wish to move outside of cities to live or work must not only be protected, but affirmatively assisted.

• National urban policy must be concerned with the needs of all urban communities within the context of national priorities for balanced growth.

• National urban policy must be sufficiently flexible to meet the diverse conditions that prevail in urban communities throughout the country and it must identify procedures by means of which that diversity can be recognized and accommodated.

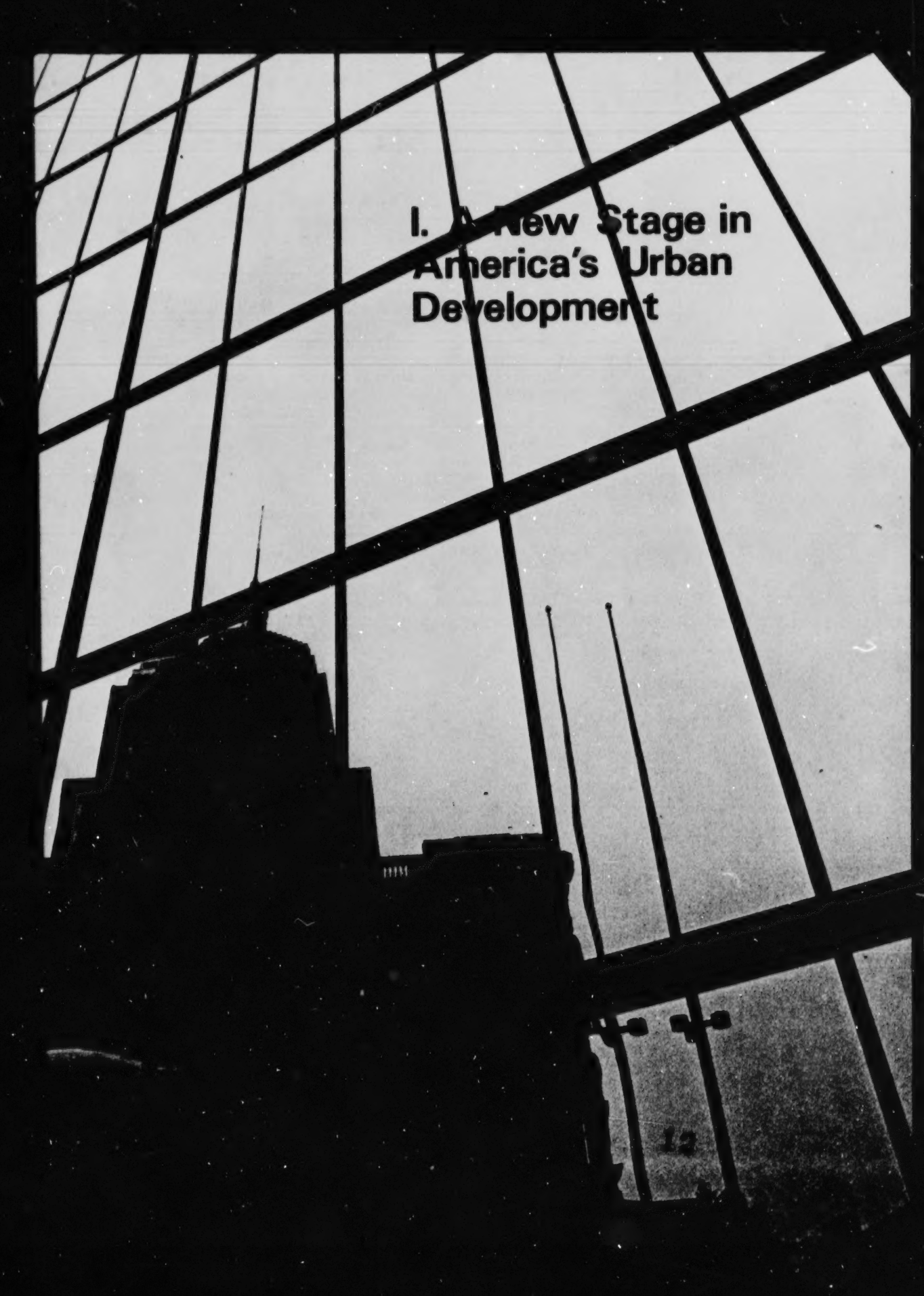
• Within the broad framework of such a policy, priorities should be established on the basis of com-

munity need, a long-standing principle of our public life. Needs may develop out of both growth and decline, but the strategic targeting of assistance on those in distress is both equitable and essential.

- National urban policy must be sensitive to the fundamental social ties that bind human communities together by placing a clear, new emphasis upon the restoration of a sense of community through the reinforcement, rehabilitation, and preservation of neighborhoods.
- The problems of cities cannot be solved solely within city boundaries. National policy must be concerned with the urban area as a whole.
- National urban policy requires a partnership between the Federal government, states, county and municipal governments, the private sector, and concerned citizens if it is to succeed. New procedures to facilitate a working partnership must be established.
- Federal resources are limited. A fundamental reassessment of existing programs is necessary to ensure their future efficiency and effectiveness. To achieve maximum return on the Federal resources available, states and localities should be assisted and encouraged to use them to attract and support other public and private investments in the community. Used alone, Federal aid will never be sufficient to meet community needs. Used in conjunction with other funds, it can play a critically important catalytic role.
- A principal aim of national policy should be to enable urban communities to become economically self-sufficient so that their support comes from their own economy. Cities should be assisted in diversifying both their economic and residential base.
- Future national urban policy should be based on a conservation ethic rather than a "throw away" ethic. The use of existing investment should be balanced against the need for new construction in or outside urbanized areas.
- Federal policies and programs should be coherently focused on sets of consistent objectives. Procedures should be established to assess the potential consequences of a policy or program prior to its implementation and to evaluate the effectiveness of a program after it has been implemented.

As a result of the URPG's work and the thought and debate that it fostered over the past year, key urban policy objectives and strategies were selected to guide this Administration's effort to deal with urban problems. These objectives were carefully chosen to provide a comprehensive set of long and short term policy objectives to deal with a broad range of urban problems. What these objectives share is the recognition that there is a limit to what the Federal government can accomplish alone. The success of the urban policy and its objectives will depend upon the creation of new partnerships among Federal, state and local government officials, business and labor leaders, neighborhood and voluntary associations, and the general public. The urban policy affirms that the Federal government will be committed to:

- Encouraging and supporting efforts to improve local planning and management capacity and existing Federal programs.
- Encouraging states to become partners in assisting urban areas (i.e., cities, counties and other communities).
- Stimulating greater involvement by neighborhood and voluntary associations.
- Providing fiscal relief to the most hard-pressed communities.
- Providing strong incentives to attract private investment to distressed communities.
- Providing employment opportunities, primarily in the private sector, to the long-term unemployed and disadvantaged in urban areas.
- Increasing access to opportunity for those disadvantaged by a history of discrimination.
- Expanding and improving social and health services to disadvantaged people in cities, counties and other communities.
- Improving the urban physical environment and the cultural and aesthetic aspects of urban life and reducing urban sprawl.



I. A New Stage in America's Urban Development

A New Stage in America's Urban Development

8

"The growth of . . . cities has been an inseparable accompaniment of the growth of civilization. There are many obvious reasons, the defense of accumulated wealth behind city walls, the concentration of materials requisite for manufacture, the concentration of power in the form of human muscles and, later, in the form of available heat energy, the ease of mutual intercourse required for business relations, the pleasure arising from a concentration of aesthetic and cultural opportunities, the advantages of a concentration of governmental and other directing agencies, administrative, legal, and military . . .

"If we examine the trend of technology during the past generation, the reasons for this concentration are largely disappearing. Still more, the reasons for the choice of sites for cities are also altering. Mechanical power can be transmitted for hundreds of miles, men can communicate almost instantaneously by telephone, the chiefs of great organizations can be transported by airplanes, the cinemas can produce plays in every village, music, speeches, and sermons can be broadcast. Almost every reason for the growth of cities has been profoundly modified."

Alfred North Whitehead, 1933
from "Foresight" in
Adventures of Ideas

When representatives from 130 Nations gathered in Vancouver, Canada, in June, 1976, to consider the problems of human settlements around the world, the majority were concerned with the influx of population from the countryside into the cities. Most of the world's people still live in rural regions with few job opportunities. Because of these conditions, large numbers of rural people all over the world are moving to urban areas in search of a better life. In the developing Nations, cities are growing at twice the rate of the total population, with half of the growth due to natural increase and half to migration from the countryside. In the past quarter century, nearly 300 million people in Latin America, Africa, and Asia left their rural homes for the cities.

Until the mid-1960s, these same patterns of rural-to-urban migration prevailed in the United States and other highly developed countries. In the late 1960s, however, the United States and several other advanced industrial countries entered a new phase in their urban development as migrations of rural population into metropolitan areas dwindled to an end and fertility rates declined. As they had for many decades, modern transportation, communications, and production technologies steadily lessened the need for people and industry to concentrate. The decentralization of the Nation's 218 million people and its economic activity—away from central city to suburb, from metropolitan area to nonmetropolitan area, and from regions of high population and industrial concentration in the Northeast and Midwest toward the South and West—became more obvious than they had been when high population growth rates and immigration to urban areas masked the full consequences of technological change.

Urban policies and programs conceived and enacted under the different conditions of prior decades no longer necessarily match the special needs created by these new circumstances. As it has several times in the past, the Nation must once again reassess its policies that are intended to aid the future growth and development of our communities, states, and regions and tailor national urban policy to the needs of a new stage in our national development.

Manifest Destiny

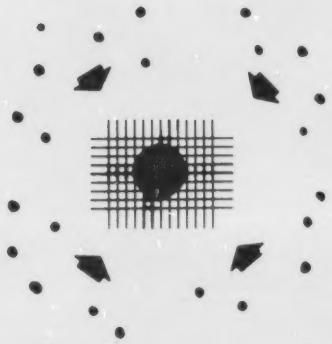
From independence up until after the Civil War, our national policy was Manifest Destiny. It was a population redistribution policy to fill up the heartland of the country with settlers and entrepreneurs in order to get the Nation's land and resources under development as quickly as possible. The Nation enacted the Homestead Act of 1862, the Timber Culture Act of 1873, the Desert Land Act of 1877, the Timber Cutting and Stone Acts of 1878. It presented innumerable land grants from the public domain to the railroads. The policy worked. Settler and speculator were lured farther and farther into the interior. In an incredibly short time, that policy built a Nation. Many of the cities of today, then mostly small and scattered, grew up at important crossroads—on the seaboard and Great Lakes, at river junctions, and where the railroads joined. But, most importantly, during that first frontier stage of national development, the United States became a country of small towns and villages, each located within a half day's buggy ride or less of the surrounding countryside.

Industrial America

That small town and rural America of the country's frontier period was no sooner created than it was threatened by two changes resulting from the Nation's industrialization after the Civil War.

First, the United States began to mechanize agriculture, enabling the production of more and more food and fiber with fewer and fewer farmers. Having spent the earlier part of its history filling up the heartland, the Nation began unconsciously to empty it out again as rural families, whose labor was no longer needed in agriculture, began to flow back off the land and into

the towns and cities to run the factories. Manufacturing located in cities and towns so that workers could walk to work. Transportation was still so primitive that very few citizens could be very far from their jobs. Rural and foreign immigrants poured into the cities in search of the new jobs, just as in previous decades people had rushed into the countryside in search of cheap land.



The Industrial City

The industrial cities and towns were born—dense, crowded, compact; most of them in the Northeast and around the lower rim of the Great Lakes where they could be close to the center of our national population as well as the ports, new railroads, and coal they needed. The great Northern Manufacturing Belt with its industrial cities and towns came to dominate the economy.

The South, still reeling from the economic and social devastation of the Civil War, was bypassed by much of this development except in a few industrial cities such as Birmingham and Chattanooga. It fell far behind the rest of the country—poor, rural, and home to the overwhelming majority of black Americans.

The youthful West, still sparsely populated and more or less isolated from the country's economic main-

United States Manufacturing Belt, 1937

Source: Juan de Torres, *Metropolitan America: The Development of Its Major Markets*, the Conference Board, New York, 1976.

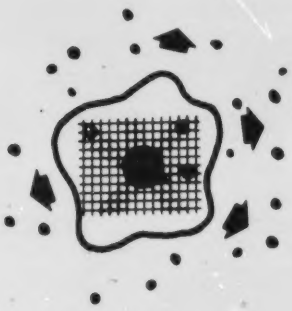
Map: Courtesy of the Conference Board.

stream, was only just beginning to come into its own. The Federal and state governments had only barely begun the vast water supply, irrigation, and power projects that were to underwrite future growth west of the 100th meridian.

Metropolitan America

With the coming of the commuter railroad and automobile, it was no longer so essential for middle and upper income Americans to live close to where they worked. With their newly found mobility, they could live in one jurisdiction, work in another, and shop in still another. America's urban areas burst their bounds. They suburbanized out across the countryside sprawling across the jurisdictional boundaries of dozens—sometimes hundreds—of local governments and even across state lines. The old, compact cities of the industrial era diffused and became metropolitan areas with several centers—sometimes hardly any center at all. Political boundaries no longer matched the economic and social realities of most urban areas.

Following World War II, suburbanization accelerated and became less dependent on the central city. In many parts of the Nation, metropolitan areas blended together, thus creating extended urban corridors. Some chose to call such urban strips "megalopolis." Others saw suburban development as the "outer city."



The Metropolis

Rural America in Transition

American agriculture was rapidly becoming the most efficient in the world. It could produce more food and fiber with fewer and fewer farmers. As the number of rural Americans needed to mine and farm diminished, the rural regions of the Nation continued to empty out. Rural people moved into the metropolitan regions of the country, mostly along the seaboards of the Atlantic, Pacific, and Gulf and around the lower rims of the Great Lakes.

Many small communities of rural America lost most of their young people. Many rural towns died or declined as 42,000 miles of interstate highways were built linking the key metropolitan areas of the country. The new highways enabled rural people to shop and to work in larger places not too far away,

The Polycentric Metropolis

The Megalopolis

eroding the market functions of smaller communities. In the 1960s, major legislation was passed intended to help the distressed rural areas losing people and jobs; the Area Redevelopment Act, the Appalachian Regional Development Act, the Public Works and Economic Development Act, and the Rural Development Act.

Urban Concentration of Poor and Minorities

But not all the problems of unbalanced economic development were in the rural areas, for as the urban areas suburbanized, and vice versa, so too did jobs. By the 1960s, half of the Nation's urban jobs were in the suburbs, not the central cities. The poor moving to the metropolitan centers from the rural areas of Appalachia, the Southeast, and Puerto Rico arrived in the central cities and inner suburbs just in time to find the jobs they needed departing for the outer suburbs. The older cities and suburbs turned increasingly into concentrations of the poor surrounded by the more affluent.

The coming together in the central cities of so many lower income Americans who were once dispersed in the rural corners of the Nation finally, through the civil rights movement, wrenched the American conscience. Like the poor and disenfranchised who had gone before them, black Americans, in league with all others who were being denied full social justice, led the Nation to the culminating expression of its commitment to social justice so far—the Civil Rights Act of 1964. A plethora of new legislation was enacted to meet urban housing problems and the need for social and economic action in the cities. Vast sums were committed to restore the central cities to their former preeminence in the Nation's economy. Yet, the function of the central cities had changed in a decentralizing urban society.

The Need for Urban Policy

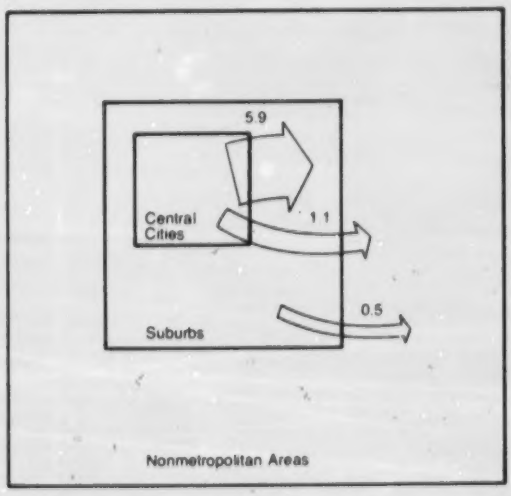
Successes were limited, failures many. Some despaired that the country could ever make sense out of a multitude of programs that seemed to work at cross-purposes, one subverting the objectives of another. More and more it is being recognized that without an urban policy—or policies on national development, for that matter—programs enacted piecemeal do not add up to a coherent whole. In fact their unintended side effects could cause more harm than good for urban areas in need.

Many have asked why a Nation like the United States cannot define its general objectives for its cities, small communities, and regions more coherently than through the piece-by-piece enactment of legislation that lacks over-arching purpose. Could the Nation not, they asked, articulate a new framework of policy to guide its future growth and development? Could it at all levels of government do a better job of anticipating trends and developments rather than reacting to events after they occur?

Post-Industrial America

But even as many were asking such questions in the late 1950s, it was clear that the Nation's patterns of growth had begun to change once again. America appeared to be entering a new stage of development and many of the issues that had been preoccupying it in the 1960s were behind. The problems of the future were beginning to look quite different.

It appeared as though some parts of rural America were over the worst. They were completing their transition from dependence upon agriculture, mining, logging, and tourism. A new kind of rural economy was developing as manufacturing dispersed out across our interstate highways beyond the suburbs into nonmetropolitan areas. Trade and commerce followed. And so did people. For the first time in a century and a half, population growth in the nonmetropolitan areas of the country outstripped metropolitan growth. Urban areas were diffusing beyond the sub-

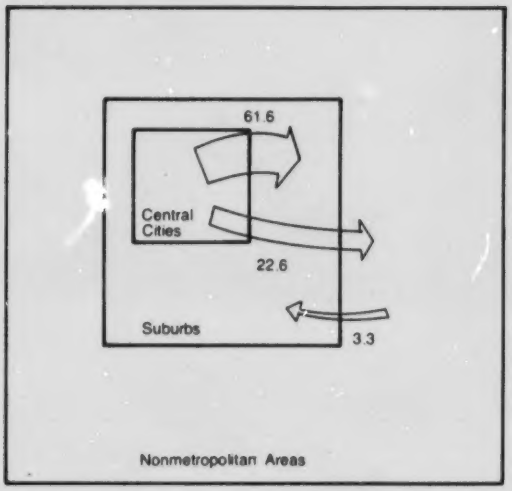


Net Residential Flows, 1970-75
(000,000's)

Note: Width of arrows is proportional to volume of net flows among the three areas.

SOURCE: U.S. Bureau of the Census. Mobility of the Population of the United States, March 1970 to March 1975. Series P-20, No. 285 in *Current Population Reports*. Washington, D.C.: U.S. Department of Commerce, 1975.

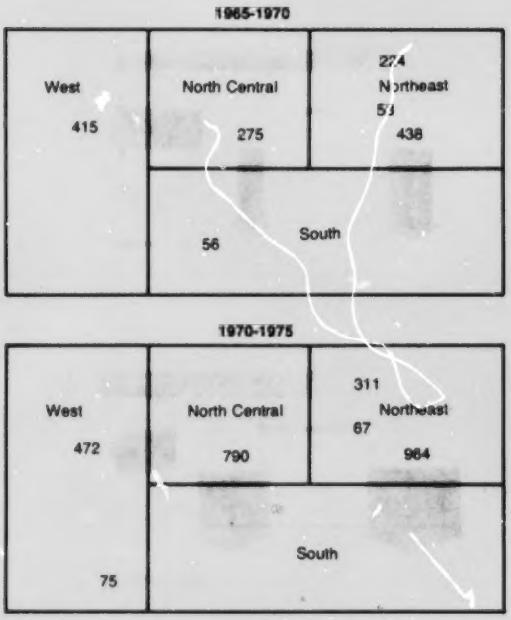
From: Brian J. L. Berry and Donald C. Dahmann. Population Distribution in the United States in the 1970's. (Washington, D.C.: National Research Council, National Academy of Sciences, 1977)



U.S. Net Work Force Flows, 1970-73 (000's)

Note: Width of arrows is proportional to volume of net flows between the areas.

SOURCE: Regional Economic Analysis Division, "Work Force Migration Patterns, 1960-1973," *Survey of Current Business*, October 1976, 23-26.



Net Interregional Migration, 1965-70 and 1970-75

Note: Width of arrows is proportional to volume of net interregional migration flows. Figures accompanying arrows indicate numbers of net interregional migrants in thousands.

SOURCES: U.S. Bureau of the Census, *Census of Population: 1970*, Washington, D.C.: U.S. Department of Commerce. U.S. Bureau of the Census, "Mobility of the Population of the United States: March 1970 to March 1975," Series P-20, No. 285 in *Current Population Reports*, Washington, D.C.: U.S. Department of Commerce, 1975.

From Brian J. L. Berry and Donald C. Dahmann, "Population Distribution in the United States in the 1970's" (Washington, D.C.: National Research Council, National Academy of Sciences, 1977).

urbs into rural areas, presenting many rural areas and small communities with the problems of growth rather than decline.

The Regional Shift

By the 1960s, the major regions of the country were coming closer and closer together in their economic and social well-being. While there were still many concentrations of poor in parts of the South, and the region continued to rank as the Nation's poorest, it was clear that it was rapidly catching up: a new South was being born.

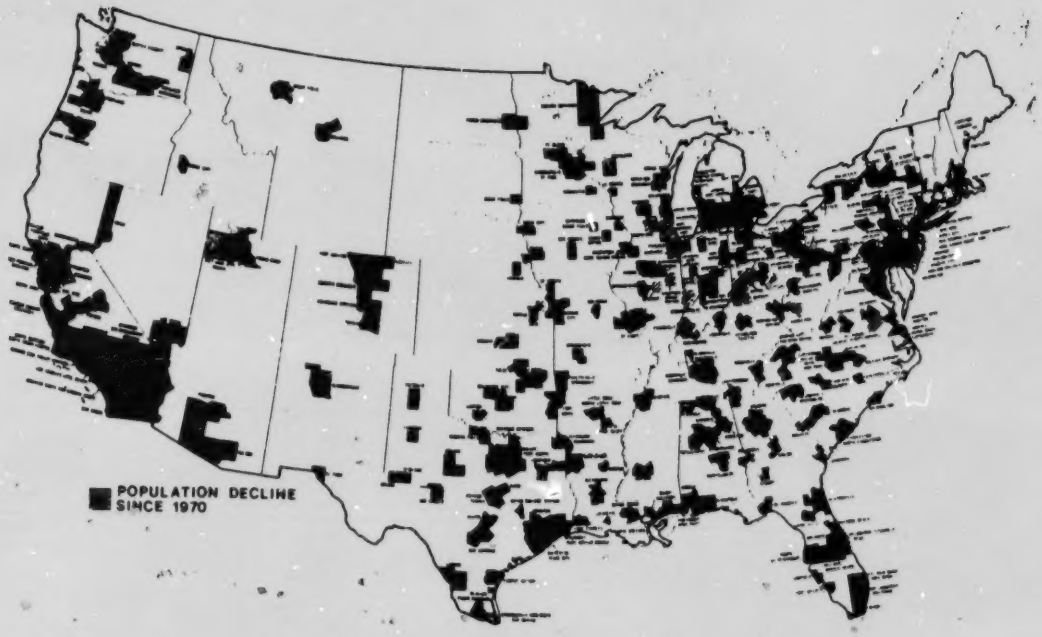
Something else was happening, too. Throughout the 1950s and early 1960s, the South had been losing many of its citizens to the industrial cities of the North and West. But by the late 1960s and the 1970s, the net movement of Americans was in the other direction. More Americans, black and white, were moving into the South than were moving out.

This change in the direction of net migrations, combined with the ending of net rural migration toward the metropolitan areas and a dramatic decline in our national birth and fertility rates, resulted in population losses not only in central cities but also for whole metropolitan areas.

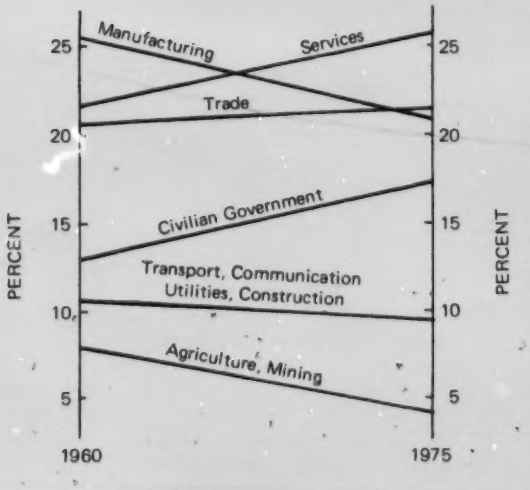
The Employment Shift

Together with the decentralization of retail and other service employment, the tie between manufacturing and urban areas continued to loosen. Unlike the days at the turn of the century when factories had to be in cities to be close to the work force they needed, factories in modern America could locate out along the interstate highways beyond the urban fringe within automobile commuting range of urban and rural dwellers alike. Modern transportation and communications, reinforced by Federal actions, had made it possible for the country's growth to decentralize. Even white-collar jobs have been diffusing into middle-sized and smaller communities, thanks to the telephone, television, and computer.

The structure of the Nation's economy has been changing into something some have labeled "post-industrial." Fewer and fewer of new jobs are in manufacturing and agriculture. More and more are in white-collar occupations and services. Many firms can now locate nearly anywhere in the country. The first



Standard Metropolitan Statistical Areas
Areas Defined by Office of Management and Budget, October 1975



U.S. Employment Shares by Sector: 1960-1975

evidence is being seen that a large number of Americans now move in search of areas known for their good quality of life. And surprisingly, many employers decide now to locate in these areas in order to attract such workers. It used to be that people moved to jobs. In many cases today, jobs move to where many people want to be.

Yet ironically, the very swarming of people to places famed for their good living under cut the quality of life that brought them there in the first place. It is little wonder that in the past decade expanding communities and states throughout the country have wrestled with the difficult question of how to manage and control their growth while other areas face the opposite problem of slow or no growth and anxiously seek new development.

The Challenge of Diversity

Each section of the United States confronts its own special agenda of growth and development problems. While parts of the South and the West seek to find ways to manage their growth so that it does not compromise the quality of life they prize so highly, parts of the Northeast and Midwest face the challenge of revitalizing those urban areas most affected by the changes now occurring in our national economy.

No region has a monopoly on the problems of growth or distress. While many of the cities facing economic trouble are in the Northeast and Midwest, there are

communities in the South and West facing similar difficulties. There are people in distress in every urban area, no matter how affluent. Things are looking up in many parts of rural America, but there are still many areas where families are isolated from opportunity. Farmers are still whipsawed by fluctuating international and national markets for what they produce while their own costs for producing keep rising relentlessly.

Many sparsely populated areas of the country now face the prospect of intensive development to meet the Nation's energy needs with profound implications for water, environment, agriculture, people, and state and local governments. Other areas dependent upon energy imported from another region or from overseas confront the challenge of adapting to new patterns of fuel use and conservation.

Some areas must cope with the problems of growth and new demands, while others must modernize obsolescent facilities and put what has already been built to better use.

Clearly, in the face of such diversity, neither standardized descriptions nor standardized prescriptions are workable. National urban policy needs to be flexible, amenable to adaption by the Nation's regions, states, cities, counties, and other communities to meet their special problems and needs.

The Future of the Nation's Cities and Communities

The future form of urban development challenges the Nation's imagination and creativity. Policy must build upon an understanding of the basic changes at work in our urban areas and attempt to shape and direct them to enhance the quality of life for those who live and work in them. Because of limited Federal resources, it has to focus much of its attention upon those individuals, families, and jurisdictions in greatest distress because of the transition now underway in the structure of our urban life. And it has to assist urban areas in reconstituting their economies.

While an economic and social transformation is undoubtedly underway in many of our urban communities, central cities—perhaps economically restructured and less populous than in the past—are essential to the new post-industrial economy now emerging. Though they may continue to change in many of their aspects, they are the essential nodes that tie the newly emerging economy together. No matter how efficient and pervasive the country communications and transportations systems become, these systems must have connecting points, centers of communication, places that receive and generate the information upon which our economy runs and upon which our creativity depends.

In a post-industrial economy, only 25 percent of the Nation's jobs are involved in the production of goods. The rest are in service trades and occupations: health care, communications, transportation, education, financial services, government, recreation, and cultural activities. While the services and products of such industries can be disseminated widely throughout the entire country, they will be generated in large measures from our urban centers.

For as long into the future as it is practical to foresee, central cities are likely to—and should continue to—remain centers for the Nation's financial, cultural, and creative life. They contain an overwhelming proportion of the country's fixed investment. In the face of increasing costs for energy, the growing demands upon investment capital, and the consequent need to make better use of what is already in place, the Nation can ill afford to abandon its older cities in favor of totally new investments elsewhere that duplicate much of what has already been built.

But future urban policies have to be predicated upon what new patterns of urban settlement and living are becoming and what the country wants them to become; not what they used to be or even are today. The challenge to the Nation's creativity is considerable as it reconstitutes our older urban areas as viable environments for life and work, and, at the same time, tries to forestall the very processes of disintegration and decay from beginning in communities that are not yet distressed.

Toward Balanced Urban Policy

Along with the other Nations that met in Vancouver in 1976, the United States has subscribed to an international declaration calling for the development of coherent policies on human settlement that will help ensure that people will have equitable access to basic public services, sound and decent housing, and opportunities for employment. This same declaration recognizes that the development of more coherent national policies on the problems of human settlements should derive from direct public participation in the formulation of objectives and intent.

As the Nation moves further toward a more decentralized, post-industrial economy, urban centers whose economic bases evolved when the forces of spatial concentration were much stronger will face special problems adjustment and adaption. For histor-

ical reasons, such places tend to be concentrated in the Manufacturing Belt of the Northeast and Midwest. But side-by-side with such areas, there are prospering urban areas in the Manufacturing Belt markedly similar in their "post-industrial" social and economic characteristics to the expanding "magnet" metropolitan areas of the South and West. There are also urban areas in the South and West which are experiencing problems of stagnation and distress similar to those in the Northeast and North Central regions. The differences in perceptions of growth and decline between regions are, to some extent, a function of the relative concentration of declining "cities to transition" in a particular region versus its number of growing "post-industrial" communities.

National urban policy has to seek a balance between the high priority of people and communities in need against the necessity to deter future distress in areas experiencing rapid growth and development.

Broad-brush characteristics of the Nation's present perceptions of regional urban growth and decline problems obscure other problems, lesser in magnitude, but potentially far more significant in their implications for the future. The seeds of future urban decline and distress are already in evidence in many urban areas not yet experiencing population loss or economic stagnation. And there is now some evidence indicating that economic and social restructuring processes are beginning in many older cities. While such trends are not nearly as quantitatively significant as their outflow of jobs and population, there is at least the possibility they indicate that longer-term processes of residential and commercial rehabilitation are getting underway. Urban policy has to take advantage of these emerging potentials to revitalize older urban centers even while it seeks to prevent deterioration in areas still growing.

II. Changing Urban Patterns

1. Decentralization of Urban Growth and Development

18

"What we are now witnessing is something more than the continued expansion of metropolitan areas . . . . Since 1970, deconcentration has occurred at all . . . levels. This represents a clean break with the previous trends. The current changes represent a genuine turning point from the Nation's preceding trends toward urbanization and metropolitan concentration."

Brian J. L. Berry and Donald C. Dahmann in *Population Redistribution in the United States in the 1970s*
National Academy of Sciences, 1977

With this decade, the United States appears to have entered still another phase in the continuing decentralization of its growth and development.

Dispersal of population and economic activity away from areas of former concentration has been one of the Nation's long-term historical tendencies. The east-to-west spread of population since the earliest years of the country and the suburbanization of the metropolitan areas during much of the present century have been but two of the most familiar aspects of this diffusion.

Modern transportation and communications, reinforced by changing production technologies, the footloose character of many firms in the post-industrial economy, the growing influence of residential amenities on population movements, and the inadvertent consequences of public policy have underwritten continuing decentralization in the distribution of population and economic activity of the United States at every level—local, state and regional.

There are differing interpretations of the long-run implications of these changes. Some researchers proclaim a "new economic geography of America." Others describe the transformation underway as a more or less predictable diffusion of urban development across the country at lower densities and thereby an equally predictable "decline of older, larger cities as centers of innovation in favor of smaller scale communities." Still others maintain that "while we may, as a Nation, appear to be moving away from our largest metropolitan areas, we will probably in the end come to find that we have merely created a new set of large places."

No matter what the interpretations, the United States is experiencing several trends toward the diffusion of population and economic activity: accelerated decentralization of population and economic activity from central city to surrounding suburbs; from metropolitan area to nonmetropolitan area; and from one section of the country to others. In 1978 this trend is still strong, notwithstanding the "back to the city" movement.

Some of these trends have been underway for most of this century; others have only become clearly evident during the 1970s.

Metropolitan decentralization has been underway at least since the 1920s. Similarly, the diffusion of population and economic activity toward the South and West has been a long-term trend. But our highly integrated national transportation and communications system plus such regional factors as climate, costs of doing business, environmental amenities, the widespread adoption of air-conditioning and, until recently, availability of water and energy have accelerated the regional dispersal of population and economic activity toward the South and West and away from concentration in the formerly economically-dominant regions of the Northeast and Midwest.

Effects of Population Change

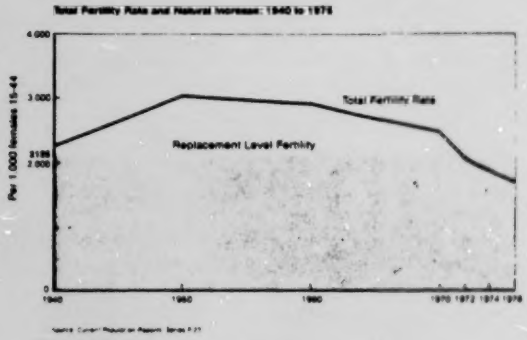
While these trends have been underway for much of this century, they were retarded by the depression of the 1930s and World War II and masked by the high rates of natural increase in population and rural-to-urban migration that followed World War II.

But since the mid-1960s the cessation of net nonmetropolitan migration into central cities and metropolitan areas, accelerated outmigration of population from many central cities and metropolitan areas, and a dramatic decline in the rate of natural population increase have uncovered the underlying trends toward decentralization and made them clearly visible.

In the 1950s, it is estimated that 5.5 million Americans moved from the country to urban areas. In the 1960s, the figure decreased to about 3 million. But between 1970 and 1975, almost 1.8 million persons moved in the other direction—back to nonmetropolitan areas, reversing the trend toward the urban areas that began in the 1800s.

This net reversal in the direction of nonmetropolitan-metropolitan migration was reinforced beginning in the 1960s by a resumption of the long-term tendency of the birthrate to decline (from 25 births per 1,000 population in 1955 to less than 15 per thousand in 1976) following the extraordinary upsurge in birth and fertility rates immediately after World War II. By 1972, the fertility rate dipped below replacement

level for the first time and had remained below that level since.



These changes in the Nation's population have been reinforced by an acceleration in outmigration from central cities, older urban areas, and the Northeastern region during the 1970s. In contrast with the 1950s, the South has now become a net regional receipient of black as well as white migrations.

The dispersal of population has been matched by the diffusion of employment growth. During this decade, the South replaced the Northeast as the second-ranking region in manufacturing employment, just behind the North Central region. Since 1973, nonmetropolitan employment has been growing more rapidly than metropolitan employment, though not as rapidly as suburban employment.

Benefits of Decentralization

The decentralization of population and economic activity has yielded benefits for many, distress for others:

- It has enabled the Nation to move toward attainment of some degree of balance and equity in the economic and social well-being of each major section of the country. This has been a national objective since the 1930s.
- For the first time in more than six decades, many rural regions, once being decimated of population and employment opportunity, are now developing new, more diversified economies capable of supporting growing populations with improving incomes.
- For many Americans who are mobile and can afford to move, the decentralization of the national economy has opened up a wider choice of lifestyles and living environments as well as opportunities for employment. Residential and environmental amenities now play an increasingly important part in the decisions of Americans about where they will live and work.
- Since 1950, home ownership has grown from 55 percent of all units to 65 percent in 1977. The overwhelming majority of this newer, owner occupied housing is in the suburbs. Less than a fourth is in the central cities, only a third outside metropolitan areas.
- In the aggregate, these trends have helped contribute to a steady improvement in the overall quality of the Nation's housing as new housing was built in developing areas to accommodate new households. In 1950, the number of occupied units classified as being dilapidated was 3.8 million, or 9 percent of all occupied housing. By 1960, the percentage had fallen to 4.3 and in the early 1970s the percentage fell below 4 percent.

The Human and Physical Costs of Decentralization

But these transformations in the patterns of our settlement have imposed high costs as well. Many of the Nation's poor and minorities have been trapped by the ebb and flow of the country's development. The fiscal integrity and governmental viability of many urban jurisdictions are threatened. Costs in wasted energy, capital, and facilities have been high. In some cities the decline in population has meant excess physical capacity and insufficient tax revenues for adequate maintenance.

For many of the rural poor who earlier migrated out of rural areas to the cities in search of opportunity, the decentralization of the economy has been a calamity. They arrived in the cities only to find many of the jobs to which they might aspire, particularly in manufacturing, departing for the outer suburbs and beyond.

Between 1970 and 1975, the number of poor in metropolitan areas increased substantially while the number of poor in nonmetropolitan areas declined (partially a result of metropolitan area redefinition). In total, all of the 8.8 percent increase in family poverty in the United States during the 1970s occurred in the country's metropolitan areas.

The dispersal of economic activity has been eroding the fiscal foundations of many older central cities and inner suburbs. After serving for three quarters of a century as the focal points of our industrial growth, many of these older communities find their employment base declining, their tax base deteriorating, the number and proportion of their poor residents rising, and their service costs escalating in the face of inflation.

States and regions containing high concentrations of older urban areas suffering substantial population and

employment losses face the same problems of fiscal strain as the urban jurisdictions themselves.

States and regions experiencing rapid growth in population and economic development confront an array of fiscal, physical, environmental and social pressure that strain statutory and fiscal capacities.

Decentralization of population and economic activity at every level—regional, state, and local—poses new challenges in areas of rapid growth as well as in areas in economic distress. National urban policy must be broad and flexible enough to meet these diverse needs.

"After more than 80 years of continuing industrial transformation more than two-thirds of the Nation's manufacturing employment is still located in the industrial belt stretching from southern New England south to the Potomac and west to the Mississippi. Manufacturing, therefore, remains in 1960 much more localized than either resource or service activities."

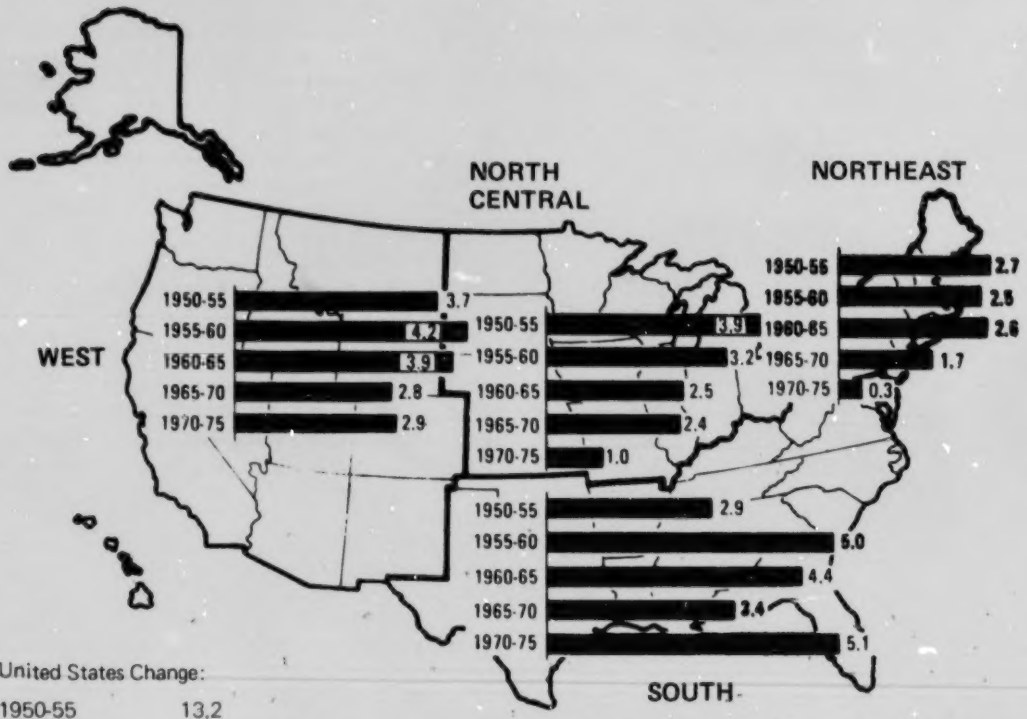
Harvey Perloff et. al.
***Regions, Resources, and Economic Growth*, 1960**

Since early in the century manufacturing has tended to disperse out of central cities into suburbs and beyond. But these trends were inhibited by two World Wars that encouraged retention of factories in cities within easy reach of a concentrated labor force. The Great Depression of the 1930s also slowed down the tendency for a time.

After World War II and the Korean conflict in the 1950s, however, the dispersal of manufacturing employment began to accelerate within metropolitan areas, within regions, and between regions, thus laying the foundation for today's economic and population growth in the South and the resurgence of many nonmetropolitan areas. From 1960 to 1975, the Northeast lost just under 800,000 manufacturing jobs while the South gained 1.5 million. By 1973, the South surpassed the Northeast in its manufacturing employment. In a brief two decades, the Northeast surrendered its role as the dominant region of manufacturing employment concentration in the United States. All but heavy manufacturing, which remains heavily concentrated in the North Central region, is decentralizing away from areas of former concentration. On the base of new manufacturing growth, many of the South's internal markets reached economic "take off" during the 1960s providing, for the first time, more regional jobs for those employed in services than for those engaged in making goods, mining minerals, or producing food and fiber. During the 1970s, the South replaced the West as the country's most rapidly growing region in population and employment. This is still the case in 1978.

In the decade of the 1960s, total national employment grew at a rate of 3.1 percent per year. The South and the West grew at approximately twice the rate of the Northeast and one and one-half times the rate of the North Central.

The disparity in regional growth rates has widened even further in the first half of the 1970s. While the national employment rate grew at an average annual rate of 1.7 percent between 1970 and 1975, employment in the South grew at a rate of 3.2 percent and in



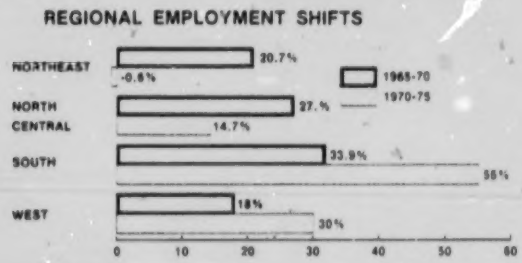
United States Change:

1950-55	13.2
1955-60	14.9
1960-65	13.5
1965-70	10.4
1970-75	9.3

Population Change for 5-Year Periods by Region: 1950 to 1975

Source: U.S. Bureau of the Census, ***Current Population Reports***, Series P-25, No. 640, November 1976, Table B.

the West by 3.3 percent. In the Northeast, total employment declined by 35,000 jobs during the two recessions of the 1970s, while it increased in the North Central region by only 1.2 percent per year. But the South's total employment increased by 3.3 million during the same recession period, accounting for a major share of the Nation's employment expansion.



Regional Population Shifts

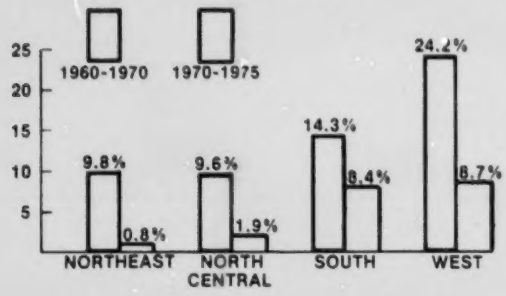
Whether population movements lead or follow shifts in the location of employment is still a matter for debate. There is growing evidence, however, that decisions by people about where they want to live are playing an increasingly significant role in firm location decisions, particularly in those "footloose" industries not directly tied to resource or market locations. Undoubtedly, population movements are still influenced by where employment opportunities are located as well, but in either case, the regional dispersal of economic activity is mirrored by shifting patterns of migration among the Nation's regions.

In the period between 1960 and 1970, national population grew by 13.3 percent. For the same period, the South's population increased by 14.3 percent and the West's by 24.2 percent, while Northeast and North Central population grew by 9.8 and 9.6 percent respectively. Thus, while all regions of the country grew, the South grew at a rate about one and one-half times that of the Northeast and North Central region; and the West grew at a rate about two and one-half times as fast as the Northeast and Midwest.

By 1980 the center of the United States population may lie west of the Mississippi River—a symbolic

REGIONAL POPULATION CHANGE: 1960 - 1975

(PERCENTAGE CHANGE)



milestone. But the center has been moving westward ever since the first census, and has been heading south in each decade since 1910. Discussion of the country-wide populations shifts in terms of the catchwords "Sunbelt" and "Snowbelt" is, therefore, somewhat misleading. There has, indeed, been an important shift of population from the North to the South, but the historic shift to the West, regardless of latitude or climate, has continued, and extensive growth is also occurring in many rural parts of the "Snowbelt."

In the first five years of the 1970s, the average annual rate of national population increase declined to 0.9 percent, compared to 1.3 percent in the 1960s, but differences in regional growth rates still continued to widen. Between 1970 and 1975, the South and West grew more than ten times faster than the Northeast and more than four times faster than the Midwest.

In the Northeast, a discrete leap in outmigration appears to have occurred between the 1954-66 and 1967-76 periods. Net migration from the Northeast to all other regions fluctuated more or less randomly around zero in the 1950s and early 1960s, but a persistent pattern of substantial net outmigration began in the 1970s, particularly from the Middle Atlantic states of New York, New Jersey, and Pennsylvania.

Because of the North Central's heavy industrial economy, outmigration from the region is cyclical, directly related to the ups and downs of the national economy. Major upward surges in outmigration occurred in 1957-1958, 1961, 1970-71, and 1974-75, major periods of national economic recession. Abatements of outmigration, and even some periods of immigration, occurred in the recovery and high employment years of 1959, 1965-69, and 1972-73. Generally, slow employment growth in the North Central region has led to a fall-off in gross immigration, rather than an increase in outmigration.

The West has experienced a relatively constant pattern of immigration, except for the massive inflows of the early 1960s. There does not appear to be any noticeable deviation from past patterns occurring in the 1970s.

The most dramatic changes have taken place in the South. The South experienced a quite consistent pattern of outmigration through 1970, though national recessions sometimes resulted in brief periods of immigration. Between 1960 and 1970, immigration to the West was four times the number of immigrants added in the South. In the 1970s the trend was reversed and the South has become the major recipient of immigration among the Nation's regions. Between 1970 and 1975, the South gained twice as many people as the West—2.6 million immigrants compared to the West's 1.4 million. In one dramatically extreme year, 1975, immigration to the South exceeded 700,000.

Patterns of Black Migration

Since 1971, there has been a distinct shift in the patterns of black migration in particular, centering on changes in black migration between the North Central region and the South and the Northeast and the South.

During the 1960s, there was a steady stream of nonwhite immigrants to the North Central region at an average annual rate of 33,000 net migrants. However, in every year since 1971, except for 1975, there was net outmigration of nonwhites from the North Central region to the South. During all these years, except 1974, there was also substantial outmigration of whites. It appears that the inflow of black Southerners to the North Central region has come to a halt.

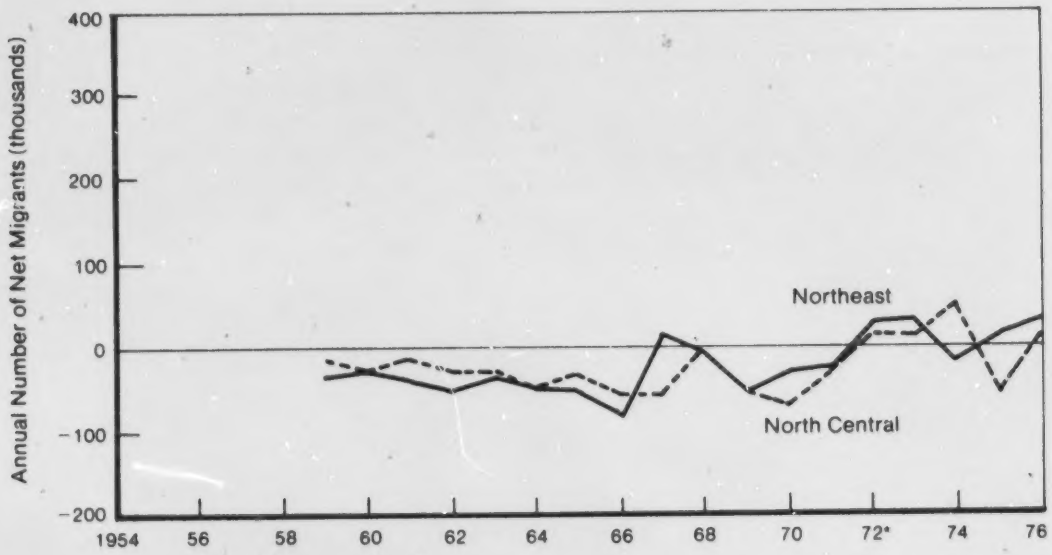
During the 1960s, the net black migration from the South to the Northeast was substantial, largely offsetting the net outflows of white population. However, since 1971 black net migration has generally followed the pattern of white net migration, with outflows of nonwhites from the Northeast to the South paralleling outflows of whites. Net nonwhite immigration to the Northeast thus also seems to have come to an end.

Differences Within Regions

The patterns of population and employment decentralization are also evident within each of the Nation's major regions.

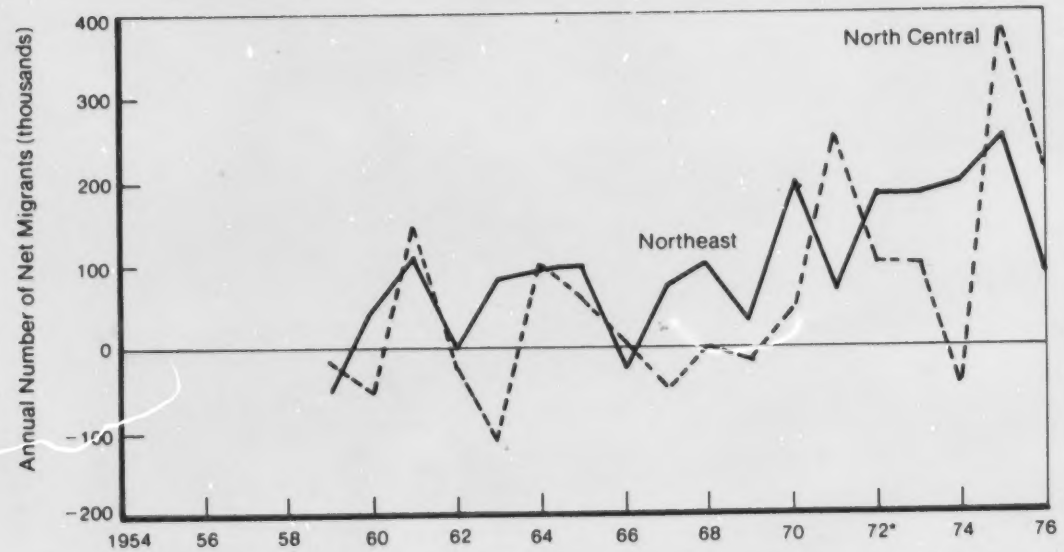
During the 1950-65 period, California received a net of 5.3 million people in comparison to the rest of the

Net Non-White Migration from the Northeast and North Central to the South



Source: *Current Population Reports*, Series P-20, *Mobility Status of the Population*, Years 1954-1976
*Data available only for aggregate 1972-73 period, prorated equally for each year

Net White Migration from the Northeast and North Central to the South



Source: *Current Population Reports*, Series P-20, *Mobility Status of the Population*, Years 1954-1976
*Data available only for aggregate 1972-73 period, prorated equally for each year

western states, which attracted a total of only 1.5 million. Between 1970 and 1975, however, California for the first time attracted a smaller number of migrants than did the rest of the western states. Between 1970 and 1975, California attracted a net immigration of 400,000 while the rest of the West attracted a net of one million migrants. Thus, in the 1970s the Rocky Mountain states have replaced the Pacific Rim states as the fastest growing areas in the West.

A similar reversal in role occurred in the South. From 1950 to 1970, Florida attracted 2.9 million migrants while the rest of the South lost a net of 3.6 million through outmigration. During the first five years of the 1970s, Florida received 1.4 million net immigrants, but the rest of the South also accounted for a net immigration of 1.2 million.

In the North Central region, the West North Central states, which are predominantly agricultural, consistently lost population over the 25-year period following World War II, as many rural residents were displaced by the increasing efficiency of Midwest agriculture. For much of that same period, however, the states of the East North Central region were gaining population as many Southern migrants augmented the growing populations of the industrialized urban areas.

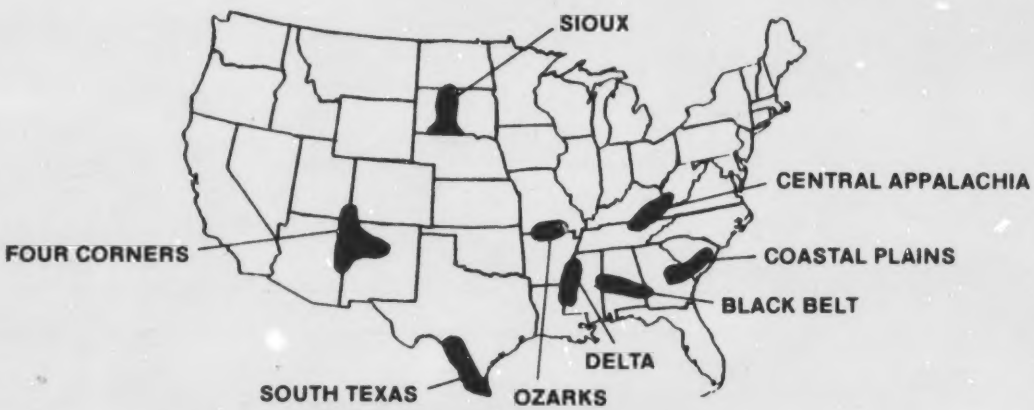
In the 1970s, these relationships have reversed. From 1970 to 1975, the West North Central's rate of population increase was greater than that for the East North Central. From 1960 to 1970, net outmigration from the West North Central was four times greater than the East North Central; from 1970 to 1975, outmigration from the East North Central is now in excess of seven times greater than from the West North Central.

It is deceptive to characterize economic and social conditions within any of the major regions on the basis of aggregate statistics that tend to gloss over significant differences between and within states, within metropolitan areas, and among groups in the population living in each region.

In the Northeast, the formerly rural areas of southern New Hampshire, Vermont, and Maine are experiencing high rates of population and employment growth, while many of the older, heavily populated and industrialized areas in the rest of the Northeast are losing both. New York City and Jersey City had less total employment in 1975 than in 1960. Employment levels in Utica and Buffalo in 1975 were almost the same as in 1960, but were substantially higher in Nashua, Portland, Hartford, and Long Branch.

In the North Central region, total employment in the West North Central states grew 50 percent faster than in the East North Central states in the 1960-1975 period. In manufacturing, between 1960 and 1975, employment declined by 0.2 percent in the heavily industrialized East North Central states, while it increased by 24.5 percent in the more agricultural West North Central states. Nebraska and Wisconsin have the highest population growth rates in the 1970s, Illinois and Ohio the lowest. Minneapolis, Columbus, Indianapolis, and Omaha are the fastest growing cities in the 1970s; Cleveland, St. Louis, Duluth, and

MAJOR POVERTY AREAS



Source: Bureau of the Census

Dayton have all experienced significant population declines.

In the West, Arizona and Colorado are the growth leaders in a population growth region, yet Los Angeles has lost almost 100,000 people and Seattle almost 13,000 since 1970. Nevada and Alaska are growing fastest in employment, Washington and Montana the slowest.

In the South, Houston, Fort Lauderdale, and Tampa-St. Petersburg, have had the largest population increases in the 1970s, but Columbus, Savannah, and Petersburg have experienced losses. Despite its recent growth in employment, per capita income in the South is still below that of the Nation. Large concentrations of rural poverty persist in the Black Belt, Coastal Plains, Central Appalachia, and the Delta.

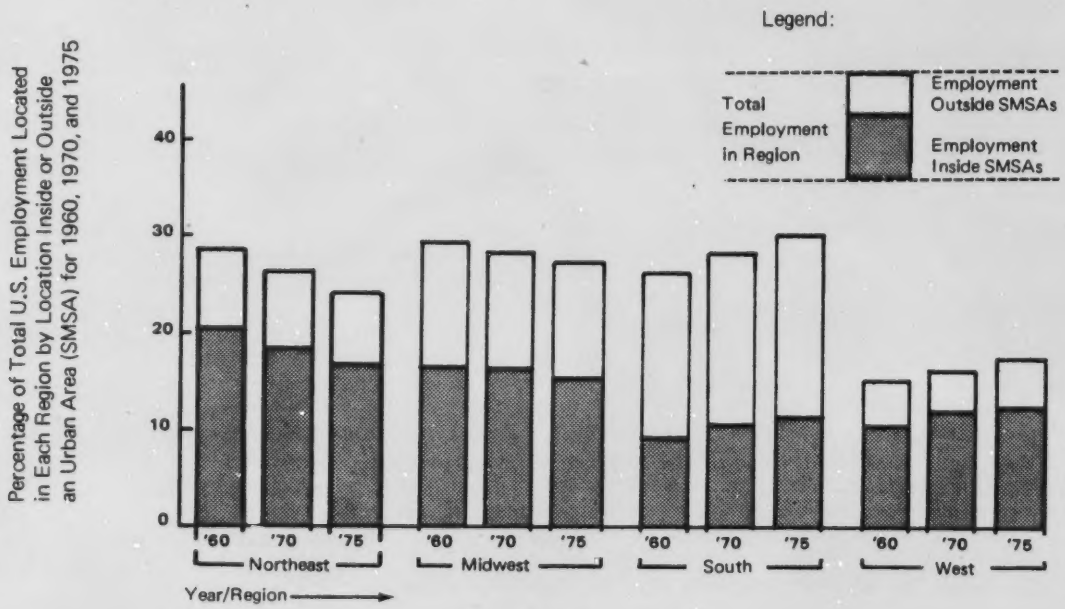
In the West, minority poverty persists among Hispanic Americans and native Americans as well as the black population. Several cities and older suburbs in that region have also sustained population and employment losses.

Alongside older urban areas suffering job declines and population outmigration areas in the Northeast and Midwest, there are urban communities and nonmetropolitan areas in those same regions which are experiencing rapid rates of growth and development. And both regions still outrank the South in the value of their manufacturing output despite declines or stagnation in manufacturing employment. Some manufacturing employment losses in these regions result from the modernization of existing plants. As capital is substituted for labor, workers are displaced, with little new manufacturing growth to absorb them.

The migration of firms between states and regions does not account for most regional employment gains or losses. For example, job losses have been greatest in the Middle Atlantic states. Of the eleven percent decline in that area, Dun and Bradstreet data indicate that less than three-tenths of a percentage point (.27) or three percent of the total, are the result of movements of firms to other regions.

Rather, low rates of new firm formation and low rates of expansion of existing firms in the older indus-

Percentage Distribution of Total Employment
by Region and Location
1960, 1970, 1975



Source: HUD, Office of the Assistant Secretary for Policy Develop and Research

Components of Employment Change Between 1969 and 1974, in the North and South

Region	Total Job Opportunities	Percent Change 1969-74	Change in Jobs as a Percent of 1969 Level—Attributable to: Closure of Firms	Birth of Firms	Expansion/ Contraction	Migration Out of Region	Migration In to Region
North	20,718,094	- 5 8	20 5	8 9	5 6	0 21	0 06
New England	2,897,583	- 7 4	21 9	9 4	4 5	0 11	0 03
Middle Atlantic	8,731,946	- 11 1	21 7	8 6	2 0	0 27	0 06
East North Central	9,088,565	- 0 3	18 9	9 1	9 5	0 18	0 08
South	20,983,550	+11 6	21 7	17 1	15 7	0 16	0 61

Source: *Documenting the Decline of the North* by C. Jusenius and L. Ledebur, 1977.

Rates of Closure, Birth, In- and Outmigration of Firms in the North and South, 1969-1974

Region	Closure Rate	Birth Rate	Inmigration Rate	Outmigration Rate
North	0.33	0.20	0.0002	0.0007
New England	0.33	0.22	0.0022	0.0009
Middle Atlantic	0.33	0.18	0.0005	0.0017
East North Central	0.33	0.22	0.0005	0.0008
South	0.35	0.29	0.0010	0.0003

Source: *Documenting the "Decline" of the North* by C. Jusenius and L. Ledebur, 1977.

trial areas, compared to the South and West, account for much of the relative gains and losses. The closure or death rates of firms in the South and West are approximately the same as those in the Northeast and North Central regions, but the rates of expansion and new firm formation in the Northeast and North Central are less than two-thirds those in the South and West. Thus, new growth, rather than the relocation of jobs, explains most of the employment gains or losses among regions.

Importance of Urban Areas in Regional Shifts

A substantial share of the widening gap in the rate of employment growth between the South and West compared to the Northeast and North Central is accounted for by the difference in the growth rates of large urban centers. Between 1970 and 1975, total employment growth rates in the largest urban areas in the South and West, where the large metropolitan areas are both newer and contain proportionately less of the regional population, were roughly equivalent to the growth rates for these regions. The growth rates for large urban areas in the Northeast and North Central, however, were decidedly less than their respective regional rates, with many experiencing absolute losses. If the large urban areas in the Northeast are excluded from the Northeast total, the remainder of the region's urban areas experienced growth much closer to the national rate of employment growth in this period. In terms of population growth, large metropolitan areas (those with over one and a half million population) have had the lowest growth rates between 1970-1975. Because 58 percent of the Northeast population and 54 percent of the East North Central population live in the largest metropolitan areas, regional rates of population growth have been low during the 1970s.

It is not possible to tell whether the advantages of dense face-to-face contact and close juxtapositions of processors, suppliers, and support functions that led to high levels of concentration in the country's largest metropolitan areas have been eroded by modern communications, transport and production technologies or whether the slowdowns are attributable to social and environmental reasons, but the role of urban decentralization in accounting for differing regional economic and social problems is clear.

To more fully comprehend the nature of these changes, it is necessary to look at the patterns of nonmetropolitan and metropolitan growth and distress within the regions and attempt to determine whether there are patterns in their diversity that can help guide future policy.

Absolute Population Change in SMSAs

Region	1970-75	1974-75
Number of Northeast SMSAs which		
gained population	29	26
lost population	14	17
Number of North Central SMSAs which		
gained population	57	45
lost population	16	28
Number of South SMSAs which		
gained population	96	96
lost population	5	5
Number of West SMSAs which		
gained population	39	39
lost population	3	3
Number of U S SMSAs which		
gained population	221	206
lost population	38	53

Net Migration in Individual SMSAs

Region	1960-70	1970-75
Number of Northeast SMSAs which had		
net **in** migration	22	19
net **out** migration	14	24
Number of North Central SMSAs which had		
net **in** migration	39	22
net **out** migration	29	51
Number of South SMSAs which had		
net **in** migration	47	69
net **out** migration	38	32
Number of West SMSAs which had		
net **in** migration	30	35
net **out** migration	6	7
Number of U S SMSAs which had		
net **in** migration	128	145
net **out** migration	87	114

North Central SMSAs Population over 1,000,000 1970-75

	Net Migration (000's)	Absolute Population Change (000's)
Chicago	258 0	5 3
Detroit	171 4	9 7
Minneapolis-St Paul	23 3	62 2
Cleveland	143 7	88 4
Milwaukee	24 4	22 5
Cincinnati	44 5	4 3
Indianapolis	15 1	36 1
Columbus	9 9	59 9
Kansas City	38 6	13 2
St Louis	118 6	41 2
Total	**-827.7**	**75.0**
Other 83 SMSAs	**-227 4**	**419.5**
Nonmetropolitan Counties	**173.3**	**577.3**

Northeast SMSAs Population over 1,000,000 1970-75

	Net Migration (000's)	Absolute Population Change (000's)
New York	534 9	338 6
Philadelphia	140 5	26 9
Boston	15 7	66 0
Nassau-Suffolk	0 6	66 1
Pittsburgh	109 0	85 5
Newark	110 5	61 6
Buffalo	48 4	22 0
Hartford	4 7	24 6
Total	**-983.1**	**-377 9**
Other 35 SMSAs	**-35.4**	**309.1**
Nonmetropolitan Counties	**304.1**	**483.1**

West SMSAs Population over 1,000,000 1970-75

	Net Migration (000's)	Absolute Population Change (000's)
Anaheim	210 6	289 0
Los Angeles	362 6	97 1
Riverside	37 3	82 1
San Diego	167 7	229 6
San Francisco	53 8	21 5
San Jose	52 7	108 1
Phoenix	187 8	246 3
Portland	45 6	74 7
Denver	102 8	164 9
Seattle	53 2	12 9
Total	**334.9**	**1,106.2**
Other 32 SMSAs	**540.3**	**1,013.2**
Nonmetropolitan Counties	**544.5**	**873.3**

South SMSAs Population over 1,000,000 1970-75

	Net Migration (000's)	Absolute Population Change (000's)
Atlanta	116 0	210 6
Miami	149 5	170 8
Tampa-St Petersburg	280 8	276 8
New Orleans	1 7	47 9
Dallas-Fort Worth	41 4	174 4
Houston	162 7	298 0
Baltimore	10 7	65 9
Washington D C	12 7	85 6
Total	**748.7**	**1,330.0**
Other 94 SMSAs	**1,128.4**	**2,396.9**
Nonmetropolitan Counties	**748.9**	**1,562.4**

Source: Current Population Reports, Series P-26

PERCENT CHANGE IN METROPOLITAN AREA EMPLOYMENT BY MAJOR SECTORS AND REGION, 1960-1975

	ALL INDUSTRIES	CONTRACT CONSTRUCTION	MANUFACTURING	TRANSPORTATION COMMUNICATIONS, AND PUBLIC UTILITIES	TRADE	FINANCE INSURANCE REAL ESTATE	SERVICES	CIVILIAN GOVERNMENT
Total United States	30 6	20 0	8 5	13 2	36 3	56 4	53 6	73 0
U S. SMSAs (272)	33 9	14 4	3 2	15 9	39 7	52 7	58 7	78 4
U S. Nonmetropolitan	21 2	39 6	29 7	3 3	24 4	83 3	36 2	60 9
Northeast SMSAs	15 8	−3 7	−15 5	−0 4	18 7	30 8	40 8	63 9
North Central SMSAs	25 6	−6 2	1 5	7 2	33 3	39 0	54 8	75 6
South SMSAs	58 4	60 8	36 5	40 8	61 4	90 9	70 9	95 2
West SMSAs	56 8	13 2	25 0	35 2	64 7	85 8	87 0	90 7

Source: Derived by Academy for Contemporary Problems from National Planning Association data

PERCENT CHANGE IN METROPOLITAN AREA EMPLOYMENT BY MAJOR SECTORS AND REGION, 1960-1975

	ALL INDUSTRIES	CONTRACT CONSTRUCTION	MANUFACTURING	TRANSPORTATION, COMMUNICATIONS, AND PUBLIC UTILITIES	TRADE	FINANCE INSURANCE REAL ESTATE	SERVICES	CIVILIAN GOVERNMENT
Northeast	**15.8**	**−3.7**	**−15.5**	**−0.4**	**18.7**	**30.8**	**40.8**	**63.9**
Albany	21.0	26.9	−15.7	−3.7	18.7	46.0	43.9	58.4
Boston	15.4	10.4	−13.1	3.6	13.4	31.5	41.4	45.0
Buffalo	4.7	−45.7	−21.1	−18.9	14.9	25.1	36.4	71.3
Hartford	31.6	−8.0	−6.6	26.2	46.3	48.4	67.6	100.4
Lancaster	28.3	35.0	7.1	17.6	52.7	46.2	74.2	67.1
Philadelphia	17.2	15.0	−15.0	−7.8	27.7	33.3	46.2	67.0
Pittsburgh	10.9	−2.6	−16.9	−1.6	18.5	26.5	35.6	69.5
North Central	**25.6**	**−6.2**	**1.5**	**7.2**	**33.3**	**39.0**	**54.8**	**75.6**
Cedar Rapids	30.9	47.2	10.0	14.7	24.8	50.0	62.0	119.0
Champaign/ Urbana	32.0	14.3	103.3	25.0	33.0	63.6	51.3	23.8
Cleveland	14.4	−18.3	−13.5	−1.6	24.4	29.6	51.9	57.8
Cincinnati	20.8	−1.5	−8.6	−6.5	28.4	25.9	66.2	76.5
Dayton	13.2	−6.8	−14.1	4.2	31.0	51.2	55.6	25.2
Detroit	28.1	−5.5	4.2	9.9	30.0	46.4	59.8	85.4
Green Bay	58.6	43.5	40.2	40.5	58.9	81.8	91.5	147.1
Indianapolis	30.2	−1.6	4.8	10.8	32.9	55.3	69.1	69.5
Kansas City	29.1	11.0	−5.9	25.7	32.3	16.3	60.1	90.6
Milwaukee	25.3	−18.4	−3.6	11.4	40.5	58.0	69.6	72.0
Minneapolis/ St. Paul	46.4	−7.0	36.7	13.3	46.9	53.1	75.0	90.0
Springfield	36.2	15.4	−20.7	36.4	31.0	50.0	56.6	96.5
St. Louis	13.3	−36.1	−13.6	−6.2	25.8	16.0	44.8	61.8
Wichita	21.1	−9.8	−3.4	12.8	20.1	22.9	67.6	68.9
South	**58.4**	**60.8**	**36.5**	**40.8**	**61.4**	**90.9**	**70.9**	**95.2**
Atlanta	32.3	34.7	2.9	23.5	36.2	30.1	43.6	118.6
Austin	103.6	64.4	142.9	72.4	87.5	125.0	86.0	147.7
Baltimore	30.0	21.7	−18.6	−2.9	46.6	46.6	52.4	97.3
Baton Rouge	47.7	43.9	−3.2	23.6	46.7	100.0	49.7	119.6
Dallas	74.7	51.6	58.4	55.6	87.4	99.6	77.2	137.5
Houston	101.6	184.2	66.8	52.7	99.1	158.0	114.0	149.7
Nashville	53.8	79.3	38.6	38.0	53.5	106.5	56.5	101.9
Orlando	109.8	126.4	44.5	132.0	103.4	158.1	152.8	200.0
Raleigh	83.3	75.9	55.8	72.2	65.9	105.4	110.8	129.7
Washington, D.C.	63.4	39.2	33.1	38.8	57.7	73.8	79.8	67.4
West	**56.8**	**13.2**	**25.0**	**35.2**	**64.7**	**85.8**	**87.0**	**90.7**
Bakersfield	30.2	−18.4	28.4	16.9	35.5	92.9	48.0	53.6
Portland	27.9	14.6	3.2	−4.7	19.9	71.1	52.6	74.3
Sacramento	48.6	−15.7	−31.1	10.2	68.8	63.7	81.5	90.4
San Diego	73.4	0.8	9.5	70.4	92.9	135.7	106.2	118.0
San Francisco	32.4	−7.5	−7.5	21.0	32.7	54.2	58.5	58.4
Seattle	48.1	26.2	7.1	32.3	51.4	92.0	81.5	91.5
Denver	79.6	64.4	52.2	43.5	87.3	122.9	97.3	97.1

Source: Derived by Academy for Contemporary Problems from National Planning Association data.

"We don't know if the return to rural America is a one-shot deal . . . we do know that it involves the local, state, and Federal governments and requires coordination."

Bruce Arkell
San Francisco Citizens Forum
June 23, 1977

While the dispersal of population and employment among regions is perhaps the most visible manifestation of decentralizing trends, these same trends are evident in the diffusion of people and jobs between metropolitan and nonmetropolitan areas. In the 1970s, new trends in the patterns of nonmetropolitan versus metropolitan growth became evident.

Nonmetropolitan areas contain nearly 86 percent of the country's total land area, 85 percent of our counties, 80 percent of our townships, 70 percent of municipalities, 67 percent of all special districts and authorities, and 45 percent of our substate planning development districts.

There are over 2,000 cities with more than 10,000 population located in nonmetropolitan America. The nonmetropolitan municipalities are experiencing the results of population and employment decentralization as profoundly as metropolitan communities.

Nonmetropolitan Growth Trends

The extent of change in conditions in nonmetropolitan America relative to metropolitan America is described in detail in the Fourth Annual Rural Development Progress Report of Congress submitted by the Secretary of Agriculture in January 1978, under Title VI of the Rural Development Act of 1972. From that report and other more recent sources, the following trends are observable:

Faster nonmetropolitan population growth The nonmetropolitan population of the United States increased between 1970 and 1975 from 54.4 million to 58 million, a gain of 6.6 percent compared to only 4.1 percent increase in our metropolitan population during the same period.

Reversal in nonmetropolitan migration During the first five years of this decade, the net 1.8 million persons who moved into nonmetropolitan counties represented a turnaround from the pattern of the 1960s when these same nonmetropolitan counties suffered a net loss of three million in population.

Acceleration in nonmetropolitan employment Between 1974 and 1976, total nonmetropolitan employment increased at a faster rate than total metropolitan employment—4.7 percent compared to 3.9 percent—but not as fast as suburban employment, which increased 6.1 percent for the period. Nonmetropolitan employment increases are due to an increase in cost and other mining activities and jobs in support of industries, services, trade and construction. Additional service jobs are resulting from expanded recreation and retirement activities and opportunities generated by government and colleges.

Nonmetropolitan income improvement Between 1979 and 1975, median family income in nonmetro-

Metropolitan and Nonmetropolitan Population Change, 1970-75

	Population			Net Migration	
Residence	**1975**	**1970**	**Percent change, 1970-75**	**1970-75**	**1960-70**
	000s	**000s**	**Percent**	**000s**	**000s**
Total	213,053	203,305	4.8	2,466	3,001
Metropolitan*	155,037	148,881	4.1	625	5,997
Nonmetropolitan	58,016	54,424	6.6	1,841	−2,996
Adjacent counties**	30,156	28,070	7.4	1,127	−724
Nonadjacent counties	27,860	26,354	5.7	713	−2,273

*Metropolitan status as of 1974.
**Nonmetropolitan counties adjacent to 1974 SMSAs.

Source: *Current Population Reports*

Metropolitan and Nonmetropolitan Employment Status of the Civilian Noninstitutional Population, 1974 and 1976

	Total			Metropolitan Areas						Nonmetropolitan Areas		
				Central City			Suburbs			Total		
	1974 (000s)	1976 (000s)	1974-76 change (percent)	1974 (000s)	1976 (000s)	1974-76 change (percent)	1974 (000s)	1976 (000s)	1974-76 change (percent)	1974 (000s)	1976 (000s)	1974-76 change (percent)
Civilian Labor Force	83 123	85 584	3 9	27 075	27 353	1 0	36 048	38 231	6 1	27 089	29 190	4 7
Employed	59 477	80 835	1 1	25 328	24 835	2 0	34 151	35 500	4 0	26 458	27 150	2 6
Unemployed	3 645	5 748	44 0	1 749	2 518	44 0	1 896	2 730	44 0	1 430	2 040	42 7
	(percent)	(percent)		(percent)	(percent)		(percent)	(percent)		(percent)	(percent)	
Unemployment Rate	5 8	8 0	–	6 5	9 2	–	5 3	7 1	–	5 1	7 0	–

Source: Calculated from Data Book for the White House Conference on Balanced National Growth and Economic Development

politan areas increased by 4.1 percent compared to a decline of 0.4 percent in metropolitan areas (in constant 1973 dollars). Nonetheless, the metropolitan/nonmetropolitan income differential continues to be substantial—$12,466 vs. $9,699 in 1975.

Increases in retirement population This increase is taking place in such diverse rural places as the cut-over region of the upper Great Lakes (especially Michigan), the Ozarks, the hill country of central Texas, East Texas Coastal Plains, the Sierra Nevada foothills in California and northern and coastal New England.

Decline in Nonmetropolitan Poverty, Increase in Metropolitan Poverty

The number of nonmetropolitan families with incomes below the official poverty level dropped 7.3 percent from 1970 to 1976, while the number of poor metropolitan families increased by 23.2 percent. The percentage of the Nation's poor families residing in nonmetropolitan America declined from 47.9 percent in 1970 to 41.0 percent in 1975, while both the share and absolute number of poor families in metropolitan areas increased. Of the 59 percent of the Nation's poor who now live in metropolitan areas, three out of five live in the central cities.

Of course, aggregate statistics must not be allowed to obscure the extreme variations that exist from one corner of rural America to another. There are still large concentrations of rural poverty, unemployment, and underemployment by-passed by economic and social improvement: the Black Belt of the Southeast and South Central states, the central and northern portions of Appalachia, some areas along our northern and southern borders, and many of the native American communities.

But over-all, it can be said that a new nonmetropolitan economy is now developing in many parts of the country. While agricultural employment has finally stabilized and mining employment is again increasing, nonmetropolitan areas are now benefiting from the employment progress associated with dispersion of manufacturing and services.

Nonmetropolitan Development Related to Metropolitan Dispersal

Still another aspect of nonmetropolitan growth related to the general decentralization of urban areas is its relationship to adjacent metropolitan areas.

Over half of the increase in nonmetropolitan areas has been in counties adjacent to metropolitan areas. This indicates that at least a substantial portion of nonmetropolitan migration may in fact reflect the further diffusion of metropolitan growth and that our definitions of standard metropolitan statistical areas are no longer sufficient, by themselves, to capture and describe the real patterns of social and economic activity that are emerging. To that extent, as noted earlier, some of the reported migration to nonmetropolitan areas may be viewed as an artifact of our statistical systems.

But this is by no means the entire picture. The reversal of migration trends from metropolitan to nonmetropolitan areas is also evident in nonmetropolitan counties that are not adjacent to metropolitan areas. Specifically the counties having a population density of less than ten people per square mile or no town with more than 2,500 inhabitants are experiencing the highest growth in migration rates. Part of this population growth is attributable to decisions by retirees to live in small communities in rural areas, part to the rearrangement of national and local patterns of economic activity. One analyst has concluded that the "pattern of U.S. settlement has evolved beyond the point where nearness to a metropolis is a prerequisite to local migratory growth. The cultures of city slicker and country bumpkin have merged—with an assist from television and the Federal highway program—and Safeways, Sears and Sizzlers have diffused down the urban hierarchy to serve even small and remote settlements."

Problems of Nonmetropolitan Cities

Urban communities in nonmetropolitan areas are as diverse in their character and economic base as their metropolitan counterparts. Some are growing, many others are suffering from economic distress. All reflect the impact of national decentralizing trends.

The rapidly growing small cities tend to be along interstate highways and are near airports. Some are college towns, some centers of government. Some are important recreational and cultural centers. Some derive their incomes from surrounding agriculture or energy development. They are the beneficiaries of dispersal and are experiencing the pressures that come with growth.

Many other small cities in nonmetropolitan areas are suffering employment and population losses and are lagging in income improvement. The distressed small cities have a larger minority population than the growing ones, are most heavily dependent on manufacturing for employment, and are part of a smaller labor market.

Whether growing or not, small cities in nonmetropolitan areas face a variety of special problems. Their economic base is far less diversified than metropolitan communities, making them highly vulnerable over time to changes in markets and technology and the ups and downs of the national economy. Because of their small size and the fact that most new growth is occurring outside their boundaries in surrounding unincorporated territory, their economic well-being is shaped by what happens around them rather than within them.

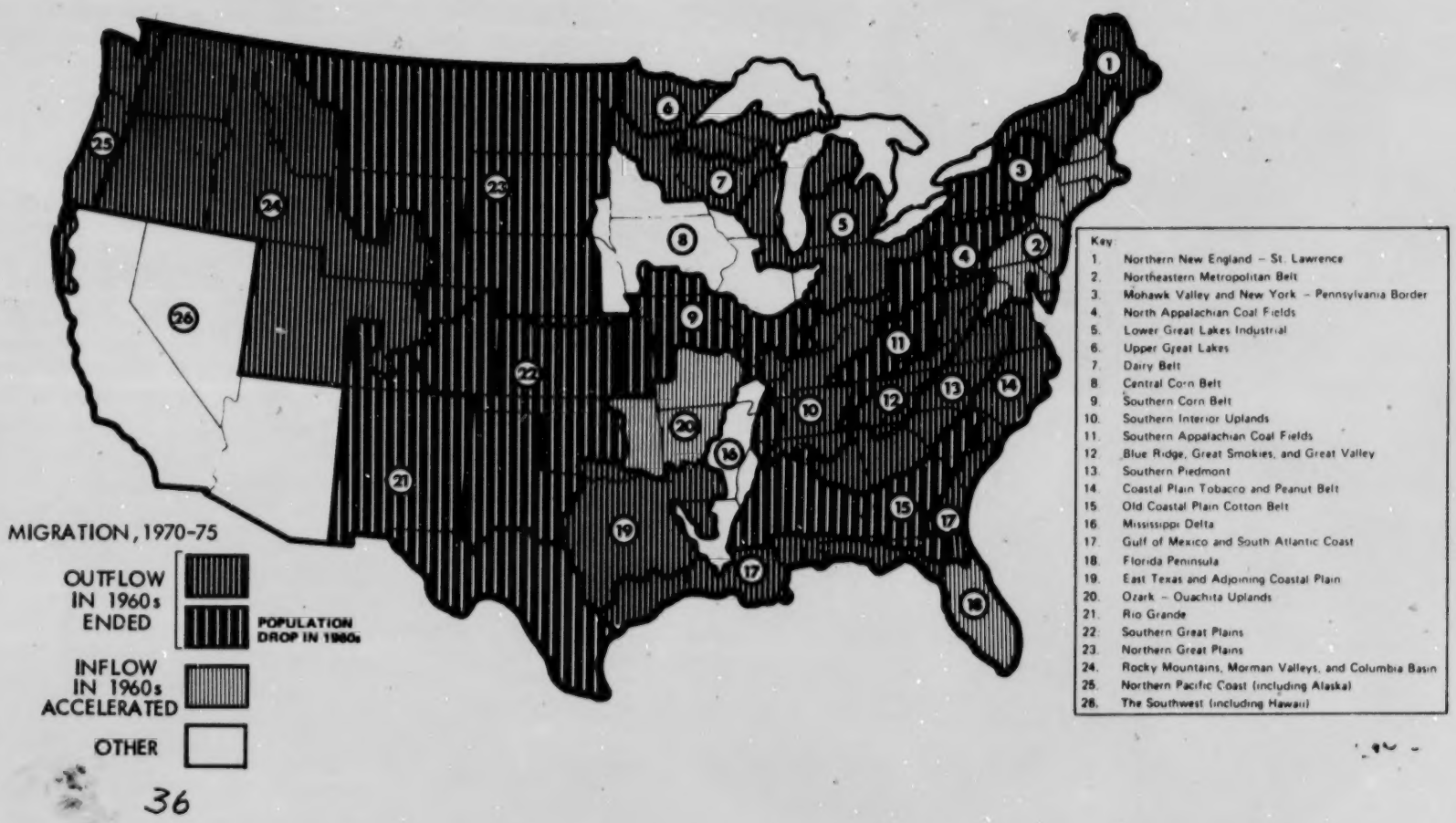
Many of these growing centers lack the basic facilities and housing required to accommodate the new development they are now experiencing. A 1974 survey by the National League of Cities and U.S. Conference of Mayors revealed that these smaller municipalities were lacking in the staff and resources required to help in the orderly accommodation of new growth. Housing conditions are still proportionately far poorer in nonmetropolitan than metropolitan areas. While about 33 percent of the Nation's housing stock is in nonmetropolitan areas, approximately 56 percent of the Nation's remaining substandard housing is located there—a ratio that has remained unchanged since 1960.

Nonmetropolitan Dispersal

To a degree, many urban centers in nonmetropolitan areas have been subject to trends analogous to suburbanization with the same social, economic, and fiscal consequences as those suffered by older metropolitan central cities.

Much nonmetropolitan employment growth is occurring outside the corporate limits of nonmetropolitan municipalities along highways in unincorporated areas. Similarly, nonmetropolitan urban places are sustaining the same loss of middle and upper income residents from within the municipal limits to surrounding unincorporated areas.

Such phenomena are but one reflection of the general diffusion of population and economic development beyond the boundaries once drawn to encompass much of our settlement and economic activity. As in the case of metropolitan sprawl, this trend has ultimate implications for energy consumption, land prices, and the nonagricultural use of agricultural land as well as the stability of small town governments.


MIGRATION, 1970-75
OUTFLOW IN 1960s ENDED
POPULATION DROP IN 1960s
INFLOW IN 1960s ACCELERATED
OTHER
Key
1. Northern New England – St. Lawrence
2. Northeastern Metropolitan Belt
3. Mohawk Valley and New York – Pennsylvania Border
4. North Appalachian Coal Fields
5. Lower Great Lakes Industrial
6. Upper Great Lakes
7. Dairy Belt
8. Central Corn Belt
9. Southern Corn Belt
10. Southern Interior Uplands
11. Southern Appalachian Coal Fields
12. Blue Ridge, Great Smokies, and Great Valley
13. Southern Piedmont
14. Coastal Plain Tobacco and Peanut Belt
15. Old Coastal Plain Cotton Belt
16. Mississippi Delta
17. Gulf of Mexico and South Atlantic Coast
18. Florida Peninsula
19. East Texas and Adjoining Coastal Plain
20. Ozark – Ouachita Uplands
21. Rio Grande
22. Southern Great Plains
23. Northern Great Plains
24. Rocky Mountains, Mormon Valleys, and Columbia Basin
25. Northern Pacific Coast (including Alaska)
26. The Southwest (including Hawaii)

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Nonmetropolitan counties (nonadjacent): the reversal of population loss

Source: Peter A. Morrison, ***Current Demographic Changes in Regions of the United States***, Rand Paper Series P-6000 (November 1977), p. 9.

"In a sense, the American city is the locust of the 20th century. It's remarkable in that it is almost entirely the handiwork of human beings and just as men and women can destroy cities, men and women can also plan and build and make our cities honorable places in which to live."

Ms. Catherine Cramer,
Chairperson, New York City
Housing Authority,
New York City Citizens Forum,
May 24, 1977

The consequences of population and economic dispersal are as variable for metropolitan areas as nonmetropolitan areas. Economic and social change may affect each of the Nation's 277 metropolitan areas differently depending upon its economic base, labor force, location, age of facilities, size, and social complexion. Neither standardized descriptions nor standardized prescriptions will suffice as the basis for national urban policy. It is inevitable in a nation continental in scope, with regional differences that are at least as important as their similarities, that individual urban areas will reflect the diversity of the country. Nonetheless, it is useful to make some generalizations about what is happening to metropolitan areas and the cities and suburbs within them before proceeding to analyze them in greater detail.

The Components of Metropolitan Population Growth

Until 1970, the Nation was not only increasingly urban, but increasingly metropolitan. However, between 1970 and 1975, while the national population grew from 203.3 million to 213 million, an increase of 4.8 percent, metropolitan area population grew by only 4.2 percent. In 1970, 73.5 percent of the population resided in metropolitan areas; by 1975 it had dropped to 73.0 percent.

Although most metropolitan areas are still growing, an increasing number are showing population declines. Of the Nation's large cities only Pittsburgh lost population in the 1960s; it was joined in the first half of the 1970s by New York, Chicago, Los Angeles, Detroit, Seattle, Cleveland, St. Louis, and many others. The reason is outmigration to the suburbs and rural areas. The largest metropolitan areas in the Nation experienced a net outmigration of about 2.2 million people from 1970 to 1976, in contrast with the net immigration of 1.8 million in the decade of the 1960s. Of the 20 largest urban areas 11 are in the northeast and north central area; all of these showed net outmigration between 1970 and 1976.

Between 1970 and 1976, central cities in metropolitan areas as a class suffered an absolute loss of 3.4 percent in population—slightly more than two million persons. Much of this absolute decline in the central cities is accounted for by dramatically decreased immigration and equally dramatic acceleration in outmigration from the central cities of the country's eight metropolitan areas of over three million population. While these absolute declines in central-city population first became evident in the 1960s in the Northeast and Midwest, they are now occurring in central cities in the South and West as well.

Absolute Population Change and Net Migration in SMSA's by Size Class, 1970–1975.

SMSA Size Class	Absolute Population Change		Net Migration	
	Number	Percent	Number	Percent
All standard metropolitan statistical areas	6,271,700	4.2	696,500	0.5
3,000,000 or more	-360,000	-0.9	-1,536,900	-3.8
2,000,000 to 3,000,000	136,000	0.7	-462,500	-2.5
1,000,000 to 2,000,000	2,132,600	8.1	1,074,900	4.1
500,000 to 1,000,000	1,453,000	5.7	437,700	1.7
250,000 to 500,000	1,477,100	7.0	558,900	2.6
100,000 to 250,000	1,263,600	8.2	569,800	3.7
Under 100,000	169,500	7.3	54,700	2.4
Nonmetropolitan areas	3,475,900	6.5	1,770,200	3.3

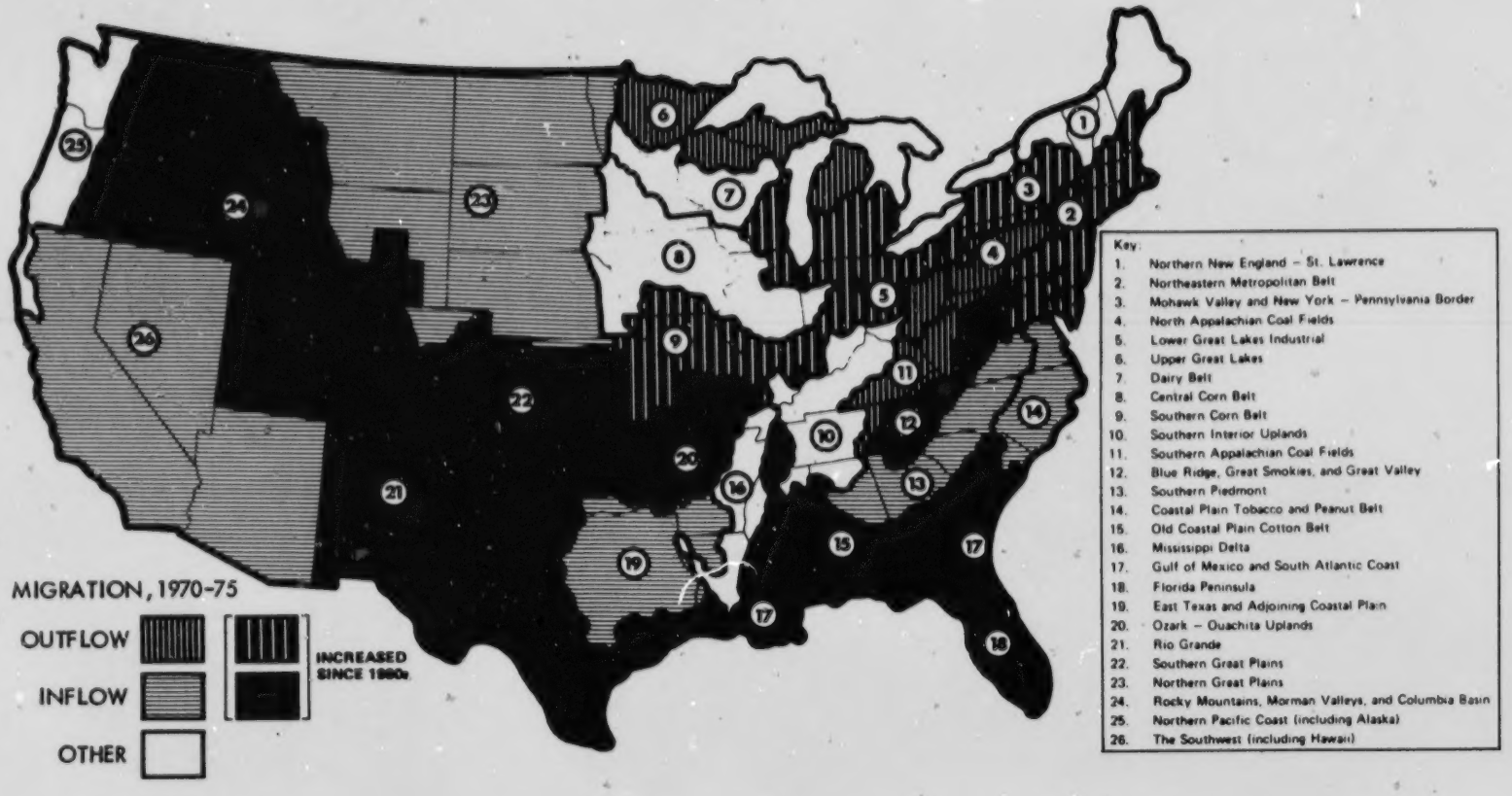
Source: *Current Population Reports*, Series P-26.

If no annexation had occured during the 1970s, there would have been no growth in the combined population of all of the central cities of the 85 largest SMSAs. Even in the South and West where central cities are reported statistically to be growing in population, a significant part of the reported growth in central-city populations would not have occurred if 1960 municipal boundaries had been in effect.

Trends in Black and White Suburbanization

The suburbanization of metropolitan population has continued unabated. The proportion of the population living outside the central cities in the suburban rings of metropolitan areas has grown from 27 percent in 1950 to almost 40 percent by 1977. Between 1950 and 1977, the suburbs gained over 40 million people, almost six times the seven million population gain of central cities and four times the population gain in nonmetropolitan population during the same period. As of 1970, for the first time in our history, there were more housing units (24 million) in the suburbs than either the central cities (22.6 million) or the Nation's nonmetropolitan areas (22.4 million).

Both blacks and whites are increasingly suburbanizing in the 1970s. While blacks increased from four to five percent of the total surburban population between 1970 and 1977, the suburbanization of the black population is only in its earliest stages and is mainly concentrated in ten of the largest metropolitan areas.


MIGRATION, 1970-75
OUTFLOW
INFLOW
OTHER
INCREASED SINCE 1960s
Key:
1. Northern New England – St. Lawrence
2. Northeastern Metropolitan Belt
3. Mohawk Valley and New York – Pennsylvania Border
4. North Appalachian Coal Fields
5. Lower Great Lakes Industrial
6. Upper Great Lakes
7. Dairy Belt
8. Central Corn Belt
9. Southern Corn Belt
10. Southern Interior Uplands
11. Southern Appalachian Coal Fields
12. Blue Ridge, Great Smokies, and Great Valley
13. Southern Piedmont
14. Coastal Plain Tobacco and Peanut Belt
15. Old Coastal Plain Cotton Belt
16. Mississippi Delta
17. Gulf of Mexico and South Atlantic Coast
18. Florida Peninsula
19. East Texas and Adjoining Coastal Plain
20. Ozark – Ouachita Uplands
21. Rio Grande
22. Southern Great Plains
23. Northern Great Plains
24. Rocky Mountains, Morman Valleys, and Columbia Basin
25. Northern Pacific Coast (including Alaska)
26. The Southwest (including Hawaii)

Metropolitan counties: the changing locus of migratory growth

Source: Peter A. Morrison, ***Current Demographic Changes in Regions of the United States***, Rand Paper Series P-6000 (November 1977), p. 9.

Nonetheless, one study for the Washington Center for Metropolitan Studies notes a distinct shift in suburban racial trends during the early 1970s. Black population growth in the suburbs accelerated, while the pace of white suburbanization declined. The Annual Housing Survey of the U.S. Bureau of the Census noted a 34 percent increase in black suburban households between 1970 and 1974. Central-city Washington, D.C., lost black population for the first time in its history during that period. Nonetheless, most of the black population remains highly concentrated in the central cities. In 1970, there were 3.5 black central-city families for every black family in the suburbs. By 1977, the ratio had dropped to three families to one. Regardless of these shifts, the proportion of black population in the central cities continues to increase—up from 18 percent in 1970 to 20 percent in 1977.

Lower Employment Growth in SMSAs and Cities

Between 1960 and 1970, the employment in areas outside the 85 largest central cities grew by 46 percent while employment in the central cities grew by only 16 percent. Thus, the increase in employment in suburban areas was more than three times the increase in central-city employment. While suburbanization of employment is a nationwide phenomenon, in the Northeast and Midwest, the suburban growth rate is almost ten times that of the central jurisdiction. In the South and West, annexation has enabled many central cities to bring much of this new growth within their municipal boundaries.

Decentralization of Manufacturing

From 1963 to 1972, manufacturing employment in large urban areas grew by only 5.9 percent. Central city manufacturing employment during the same period declined by 6.1 percent, while in areas outside central cities it grew by 21.2 percent. In the Northeast, central cities experienced a net decline in manufacturing employment of 19.2 percent during the period while suburban areas grew by only a modest 7.7 percent. In the Midwest, manufacturing employment in central cities declined 6.6 percent, compared with a growth of 30.8 percent in areas outside central cities.

Western central cities experienced no manufacturing growth at all while manufacturing employment in Southern central cities did grow by 20.7 percent during the 1963-1972 period.

More significantly, proportionately more of the relatively new manufacturing employment in the South is outside urbanized areas (the central cities and surrounding closely settled territories of the 60 largest metropolitan areas) compared to the Northeast and Midwest where the manufacturing growth of the late 1800s and early 1900s was in the cities. The Conference Board has calculated that in 1970, only 8.3 percent of Southern manufacturing employment was in the large urbanized areas of that region compared to 69.2 percent of the manufacturing employment in the Northeast and Midwest. Thus, losses of manufacturing employment are a much more serious problem for older industrial cities.

Proportions of Population and Employment in North, West and South Major Urbanized Areas, 1950 and 1970

1950

Region	Population	Total Employment	Manufacturing Employment
North	70.0	70.4	80.3
West	21.8	21.4	14.7
South	8.3	8.2	5.0
TOTAL (000's)	58,739	23,526	7,221

1970

Region	Population	Total Employment	Manufacturing Employment
North	60.2	60.6	69.2
West	28.2	27.9	24.3
South	11.6	11.5	8.3
TOTAL (000's)	95,419	32,208	9,852

Source: Juan de Torres, ***Metropolitan America: The Development of Its Major Markets***, the Conference Board.

Unemployment in the Cities

The unemployment rate in central cities increased from 4.8 percent in 1970 to 8.9 percent in 1978. Suburban rates were lower in both years, 3.9 percent and 7.3 percent respectively. High unemployment rates in the central city reflect the higher black unemployment rate—16.3 percent unemployment rate for black males in 1976, more than double the rate for white males of 7.6 percent. Such high unemployment rates in the central cities have held the labor force participation rate in the central cities below that of the suburbs and nonmetropolitan areas.

Growing Concentration of Poor in Central Cities and Inner Suburbs

As more affluent citizens move from the central cities, it is statisically inevitable that the relative concentration of poverty in the central cities and inner suburbs will increase. However, during the 1970s, the absolute concentration of poverty in the central cities and inner suburbs increased as well.

About 250,000 more families in poverty status lived in central cities in 1976 than in 1970, a 16 percent increase; 350,000 more low-income families lived in non-central city portions of metropolitan areas, a 35 percent increase over the six-year period. The poverty areas in central cities contained almost 13 million people by 1976 and about 56 percent of these (and 64 percent of the poor) were black.

Nonmetropolitan families in poverty status declined by 163,000 over the period, a seven percent decrease. Conversely, the number of nonmetropolitan families earning over $15,000 increased by over five percent during the same period while the number of central-cities families earning over $15,000 declined by seven percent.

Metropolitan-Nonmetropolitan Poverty Status, 1970 and 1976

	1976		1970	
	(000s of families)	(per-cent)	(000s of families)	(per cent)
TOTAL	5,450	100.0	5,008	100.0
Metro Areas	3,216	59.0	2,611	52.1
Inside Central Cities	1,863	34.2	1,609	32.1
Outside Central Cities	1,352	24.8	1,002	20.0
Nonmetro Areas	2,234	41.0	2,397	47.9
North and West	3,107	57.0	2,632	52.6
South	2,343	43.0	2,376	47.4

Source: Current Population Reports, Series P-60, No. 106.

Decline in Average Family Income

During the period from 1969 to 1976, families in central cities experienced an $866 decline in average constant dollar income from $16,883 in 1969 to $16,017 in 1976. While suburban families also experienced a decline of $360 from $19,765 to $19,405 during this same period, the average effect has been to widen the income gap between central cities and suburbs by $500.

Average income for black families is substantially lower than that for white families in both central cities and suburbs. The average 1976 income for black families in central cities was $10,775 compared to $16,036 for white families. Black families in the suburbs, however, were the only metropolitan group to experience an increase in real income between 1969 and 1976.

The Role of Public Assistance

Approximately 34 percent of all central-city families now depend on some form of public assistance. Between 1969 and 1976, the increase in public assistance income in metropolitan areas was 70 percent, representing a rise from 2.5 to 4.4 percent of total suburban income and 4.2 to 7.2 percent of total central-city income. This continuing high rate of dependence on public assistance income among central-city residents is, in part, a reflection of the recent increase in and relatively high proportion of female-headed households in central cities. Public assistance income in 1976 accounted for 23.3 percent of aggregate income for central city families with a female head, a 7.8 percent increase over the comparable percentage for 1969 and 7.6 percent more than the comparable proportion in the suburbs. About 30 percent of all black central-city families have female heads. By comparison, white female-headed households represent about seven percent of the suburban total and approximately 10 percent of the white central-city total.

Economic Impact of Population Shifts

The aggregate annual personal income in 1976 of those who moved out of central cities between 1975 and 1977 was $40 billion compared to $21.9 billion for those who moved into central cities, a net annual decrease of $18.1 billion during the two-year period. Such losses in personal income have been persistent in the 1970s.

Signals of Distress

These aggregate indicators signal human, physical, and fiscal distress in many cities and metropolitan areas. But they are too general to provide the understanding we require of how these changing urban conditions differentially affect urban communities throughout the country. For that purpose, we must take a closer look at the diversity of circumstances that exist from one urban area to another to see if some useful patterns in that diversity can be discovered.

"Urban ills can and do exist in regions enjoying prosperity and growth."

Mayor Robert Folsom,
Mayor of Dallas,
Dallas Citizens Forum,
June 8, 1977

"We have the specter for all of those who are still growing cities of how to avoid the cycle that has been the experience of many of the older cities where they have reached the point where the growth has leveled off and then has started the inevitable cycle of decay and decline."

Mayor Lila Cockrill
Mayor of San Antonio,
Dallas Citizens Forum,
June 8, 1977

The decentralization of population and employment affects all municipalities, both metropolitan and nonmetropolitan; central city and suburban. But the consequences vary from one city to another. For some they spell economic, social, and fiscal distress. For others they bring the pressures of rapid growth. Still others continue to enjoy remarkable stability in the face of change. National urban policy must be responsive to this diversity. While it may focus more attention upon communities where human and physical needs are the greatest, it must also be flexible enough to meet the divergent needs of communities throughout the nation.

A framework of continuing information and analysis about conditions in our urban communities that reflect these variations in problems and needs will be a requisite foundation for flexible and responsive urban policies in the future. During the past several years, there have been a number of efforts by individual researchers and organizations, as well as Committees of the Congress, to measure the diversity of social and fiscal hardship among the Nation's cities. The Brookings Institution, the Urban Institute, the Committee for Economic Development, and the Department of Housing and Urban Development have all been developing such measures.

- What factors are affecting the economic health and social well-being of our cities? Are there patterns that can be discerned? Or are the forces of decentralization so general that all American cities are suffering distress because of them?
- Does the region in which a community is located determine whether it is growing or is experiencing some degree of economic, social, or fiscal distress? Are only the cities of the Northeast and Midwest suffering from adversity as population and the location of new economic activity shift toward the South and West?
- Or is size now a major factor affecting the growth rates of cities and metropolitan areas? Have large cities begun to lose the advantages they once possessed as economic centers when many firms had to locate in proximity to clients and suppliers? Have today's transportation and communications diluted this need for face-to-face contact, thereby placing large cities at a disadvantage because of higher costs of congestion than are incurred in medium- and smaller-sized places?
- Or is it age? Do older cities suffer from a burden of obsolescence in housing and facilities that puts them at a competitive disadvantage with newer cities?

Some urban communities are experiencing rising per capita incomes, increased employment opportunities, population growth, and an expanding base of local tax revenue. Others have been remarkably stable, experiencing little gain or loss in population or employment. Still others are suffering from rising relative concentrations of poverty, high unemployment, population decline, and a deteriorating tax base. Are these patterns of distress correlated in any way with city size, the age of housing, or regional location?

Careful analysis is clearly called for, since the answers can provide a basis for placing Federal assistance and attention in accordance with the greatest need.

Employment Opportunities

Rates of unemployment during 1975 in cities with populations greater than 50,000 ranged from a high of 18.6 percent to a low of 2.8 percent with a median of 7.4 percent. Unfortunately, unemployment is regularly measured not on the basis of cities, but labor market areas because workers commute freely across political boundaries. Many labor market areas coincide with metropolitan rather than municipal boundaries. While there are a number of methods by which unemployment can be derived for smaller areas within a labor market, an analysis of 146 major labor market areas provides some preliminary evidence of the patterns of variation among urban areas, particularly when unemployment rates are divided into three intervals: rates below the national unemployment rate in 1975, rates around the national rate, and rates well above that of the Nation during the same year.

Forty percent of labor markets containing over a million population had unemployment rates above 9.6 percent compared to 31 percent of labor markets between 500,000 and a million population and 33 percent of labor markets with less than 500,000. Region-

ally, 56 percent of the Northeastern major labor market areas had a 1975 unemployment rate of 9.6 percent or greater, compared to 31 percent in the North Central region, 14 percent in the South, and 42 percent in the West.

1975 UNEMPLOYMENT RATES FOR 146 MAJOR LABOR MARKET AREAS BY SIZE OF CITY AND REGION

Size of Labor Market Area	Unemployment Rate* 4.4-7.6 Region	Number of Cities	7.7-9.5 Region	Number of Cities	9.6-15.3 Region	Number of Cities
>1 million	NE**	0	NE	2	NE	5
	NC	3	NC	6	NC	1
	S	3	S	2	S	3
	W	1	W	4	W	5
	TOTAL U.S.	7	TOTAL U.S.	14	TOTAL U.S.	14
5-1 million	NE	0	NE	5	NE	5
	NC	0	NC	4	NC	4
	S	8	S	4	S	2
	W	2	W	1	W	0
	TOTAL U.S.	10	TOTAL U.S.	14	TOTAL U.S.	11
< 5 million	NE	6	NE	5	NE	13
	NC	11	NC	8	NC	8
	S	14	S	7	S	1
	W	0	W	3	W	3
	TOTAL U.S.	31	TOTAL U.S.	20	TOTAL U.S.	25

*U.S. unemployment rate = 8.5 for 1975.
**NE = Northeast, NC = North Central, S = South, W = West
Source: Employment and Training Report of the President, 1977

Income

Per capita income in all cities over 50,000 during 1975 ranged from a low of $2,196 to a high of $9,536 with a median of $4,685. Incomes below the poverty level ranged from a high of 47 percent of the population to only two percent. The median population in poverty in these cities in 1975 was 11 percent. In terms of per capita income, the small, younger, and western cities fare better than other cities. Higher per capita incomes for many of the smaller cities, however, are reflecting the fact that many of them are actually suburbs.

The larger a city is, the more likely it is to have a high percentage of residents in poverty.

While the age of cities does not make an appreciable difference in this indicator, southern cities are distinctly worse off in terms of both per capita income and percentage of residents in poverty.

Population Gain or Loss

Between 1960 and 1975, cities over 50,000 experienced population losses as great as 30 percent to population growth of over 50 percent. About a third of the cities have lost population between 1960 and 1975, about a third have grown at rates between .1 percent and 29.9 percent, and the remaining third have grown at rates of 30 percent or more.

Per Capita Income (1975) by City Size, Age of City, and Region

a. City Size

Number of Cities / Row Percent / Column Percent	Per Capita Income: Less than $4200	$4200 to $4699	$4700 to $5199	$5200 or Over	Row Total
Large Cities (500,000 or Over)	5	8	7	4	24
	20.8	33.3	29.2	16.7	5.8
	5.3	7.0	6.9	3.9	
Medium Cities (100,000 to 499,999)	29	47	41	21	138
	21.0	34.1	29.7	15.2	33.4
	30.9	41.2	40.2	20.4	
Small Cities (50,000 to 99,999)	60	59	54	78	251
	23.9	23.5	21.5	31.1	60.8
	63.8	51.8	52.9	75.7	
Column Total	89	114	102	103	413
	22.8	27.6	24.7	24.9	100.0

b. Age of City

Number of Cities / Row Percent / Column Percent	Per Capita Income: Less than $4200	$4200 to $4699	$4700 to $5199	$5200 or Over	Row Total
Younger Cities	54	74	73	87	288
	18.8	25.7	25.3	30.2	69.7
	57.4	64.9	71.6	84.5	
Older Cities	40	40	29	16	125
	32.0	32.0	23.2	12.8	30.3
	42.6	35.1	28.4	15.5	
Column Total	94	114	102	103	413
	22.8	27.6	24.7	24.9	100.0

c. Region

Number of Cities / Row Percent / Column Percent	Per Capita Income: Less than $4200	$4200 to $4699	$4700 to $5199	$5200 or Over	Row Total
Northeast	28	23	21	24	96
	29.2	24.0	21.9	25.0	23.2
	29.8	20.2	20.6	23.3	
Midwest	15	33	31	29	108
	13.9	30.6	28.7	26.9	26.2
	16.0	28.9	30.4	28.2	
South	37	41	17	12	107
	34.6	38.3	15.9	11.2	25.9
	39.4	36.0	16.7	11.7	
West	14	17	33	38	102
	13.7	16.7	32.4	37.3	24.7
	14.9	14.9	32.4	36.9	
Column Total	94	114	102	103	413
	22.8	27.6	24.7	24.9	100.0

Source: HUD, Office of the Assistant Secretary for Policy Development and Research, 1978

Half of the cities over 500,000 have lost population since 1960, while almost 41 percent of the medium-sized (100,000-499,999) and a third of the small cities 50,000-99,000) have done so.

Population change appears to be much more linked to the age of a city. While three quarters of the older cities have lost population, less than 20 percent of the younger cities have also lost population.

Northeastern and midwestern cities represent most of the cities losing population. While almost two-thirds of northeastern cities were losing population between 1960 and 1975, the same proportion of western cities were growing by 30 percent or more.

Patterns of Distress

Several recent studies have identified the Nation's cities facing the most hardship. While the lists and ranking of cities differ somewhat, depending on the criteria used in each study, several of the same cities appear in each study.

The Congressional Joint Economic Committee classified cities into four categories:

1. Cities with high unemployment and decreasing population.

2. Cities with low unemployment and decreasing population.

3. Cities with high unemployment and growing population.

4. Cities with low unemployment and growing population.

As the Committee on Economic Development observed, even this simple division shows some significant patterns: "the declining cities (groups 1 and 2) are larger in size than the growing cities. The growing cities are predominantly in the South and West: there are none in the East and only two in the Midwest. The declining cities are mostly in the East and Midwest . . . ." And large cities with high unemployment and declining population tend to be the worst off.

Problem Combinations by City Size, Age of City, and Region (broad definition of "problem")

a. City Size

Number of Cities / Row Percent / Column Percent	Number of Problems: 3 of 3	2 of 3	1 of 3	None	Row Total
Large Cities (500,000 or Over)	9	6	6	3	24
	37.5	25.0	25.0	12.5	5.8
	10.7	5.4	4.3	3.9	
Medium Cities (100,000 to 499,999)	34	32	43	29	138
	24.6	23.2	31.2	21.0	33.4
	40.5	28.6	30.5	38.2	
Small Cities (50,000 to 99,999)	41	74	92	44	251
	16.3	29.5	36.7	17.5	60.8
	48.8	66.1	65.2	57.9	
Column Total	84	112	141	76	413
	20.3	27.1	34.1	18.4	100.0

b. Age of City

Number of Cities / Row Percent / Column Percent	Number of Problems: 3 of 3	2 of 3	1 of 3	None	Row Total
Younger Cities	24	72	120	72	288
	8.3	25.0	41.7	25.0	69.7
	28.6	64.3	85.1	94.7	
Older Cities	60	40	21	4	125
	48.0	32.0	16.8	3.2	30.3
	71.4	35.7	14.9	5.3	
Column Total	84	112	141	76	413
	20.3	27.1	34.1	18.4	100.0

c. Region

Number of Cities / Row Percent / Column Percent	Number of Problems: 3 of 3	2 of 3	1 of 3	None	Row Total
Northeast	43	28	20	5	96
	44.8	29.2	20.8	5.2	23.2
	51.2	25.0	14.2	6.6	
Midwest	20	20	41	27	108
	18.5	18.5	38.0	25.0	26.2
	23.8	17.9	29.1	35.5	
South	12	35	42	18	107
	11.2	32.7	39.3	16.8	25.9
	14.3	31.3	29.8	23.7	
West	9	29	38	26	102
	8.8	28.4	37.3	25.5	24.7
	10.7	25.9	27.0	34.2	
Column Total	84	112	141	76	413
	20.3	27.1	34.1	18.4	100.0

Source: HUD, Office of the Assistant Secretary for Policy Development and Research, 1978

Cities With Both High Unemployment Rates and Declining Population (Group 1)

New York	Denver
Los Angeles	Pittsburgh
Philadelphia	Atlanta
Detroit	Cincinnati
Baltimore	Toledo
Washington, D.C.	Portland
Milwaukee	Long Beach
San Francisco	Oakland
Cleveland	Akron
Boston	Jersey City
New Orleans	Yonkers
St. Louis	Syracuse
Seattle	

The Brookings Institution examined population loss, age of housing and poverty levels in 489 central and suburban cities with populations above 50,000; 25 percent of all the cities examined had serious trouble. Nearly half of the cities over 500,000 population fell into the "hardship" category.

The Brookings study confirmed the concentration of hardship or distressed cities in certain regions of the country. Of the 123 cities on their distressed list, 83 are in the Northeast. But significantly, of the ten most distressed cities, two are in the South.

Other studies give much the same results. One recent report by the Urban Institute examined the Nation's 153 largest cities on the basis of five distress indicators: population loss; slow growth in per capita income; below average per capita income; high unemployement and more rapid growth in unemployment. Of 29 cities found to be suffering from all five measures, 26 were in the North Central or Northeast regions.

Researchers at the Brookings Institution also developed a "hardship index" to compare cities on six different economic and social measures: (1) un-

Hardship Indices

Compared to Balance of SMSA		Compared to Other Central Cities	
Newark*	422	Newark*	85.5
Cleveland*	331	St. Louis*	75.5
Hartford	317	New Orleans*	72.6
Baltimore*	256	Gary	70.0
Chicago*	245	Miami*	62.5
Atlanta*	236	Birmingham	61.8
St. Louis*	231	Youngstown	60.3
Rochester	215	Baltimore*	60.0
Gary	213	Cleveland*	59.6
Dayton	211	Detroit*	58.6
New York*	211	Buffalo*	57.2
Detroit*	210	Jersey City	56.6
Richmond	209	Hartford	56.2
Philadelphia*	205	Louisville*	55.9
Boston*	198	Cincinnati*	53.5
Milwaukee*	195	Providence	52.7
Buffalo*	189	Springfield (Mass.)	52.0
San Jose*	181	Tampa	50.9
Youngstown	180	Sacramento	50.4
Columbus*	173	Grand Rapids	50.3
Miami*	172	Atlanta*	50.1
New Orleans*	168	Philadelphia*	50.0
Louisville*	165	Chicago*	49.3
Akron	152	Pittsburgh*	47.1
Kansas City*	152	Dayton	46.9
Springfield (Mass.)	152	Rochester	46.3
Fort Worth	149	Richmond	46.2
Cincinnati*	148	Boston*	45.8
Pittsburgh*	146	New York*	45.3
Denver*	143	Akron	43.4

*Cities among the 40 most populous.

employment; (2) dependency—persons under 18 or over 64 as a percentage of total population; (3) education—percentage of persons 25 years old or more with less than 12th-grade education; (4) per capita income; (5) crowded housing; (6) poverty—percentage of families below 125 percent of low-income level. Each city was compared first with its own suburbs and then with other cities. Again, there are more distressed cities in the Northeast and Midwest, though there are some distressed cities among the top ten in the South.

It is possible to make some general observations about this overview:

- While the pattern of population loss, unemployment, poverty, and lagging incomes tends to concentrate in the Northeast and to a lesser extent in the Midwest, there are urban areas experiencing these problems in every section of the country, suggesting that regional location is not a cause of distress. Rather, the regional concentration of distressed cities is instead a reflection of history; older industrial cities tend to be concentrated in the Northeast and Midwest.
- While large cities are proportionately more seriously affected by signs of distress, there are many more medium and smaller cities than large cities affected by these same distress signals simply because there are far more of them. In 1975, almost 40 percent of the cities with more than 500,000 population compared to 25 percent of medium and 16 percent of small cities had a combination of declining or slowly growing population, below average per capita income, and high unemployment.

The number of problems cities face is closely related to how old the city is as measured by the age of its housing stock. Almost half of all older cities had declining or slowly growing population, below average per capita income, and high unemployment, while only eight percent of the "younger" cities evinced such a combination.

Almost half of all cities in the Northeast showed stress in 1975 as measured by all three indicators while about 20 percent of midwestern and 10 percent each of southern and western cities showed similar signs.

Using an unemployment rate of greater than 9.6 percent, an absolute decline in population, and per capita income level below $4,200 as criteria, one of every five cities over 50,000 population faced serious problem combinations in 1975.

The recent recovery from the 1974-75 recession has reduced the unemployment problems for the Nation's cities. Nonetheless, basic patterns of distress persist in cities of all sizes and in each region.

Underlying Characteristics of Distressed Cities

No matter what the size of the city, however, some common characteristics among distressed cities persist:

- A very large number of the distressed cities have been manufacturing centers.
- The city is old in terms of the age of its residential and commercial construction.
- The city is land-locked by surrounding incorporated municipalities and cannot grow through annexation.
- The city is fully developed.
- The city contains a substantial minority population.

Manufacturing Losses and Distress

One of the most common characteristics of distressed cities is the size of the manufacturing sector in their

Category 3	Category 2			Category 1			Category 0
All	Subsets 1 and 3[a]	Subsets 1 and 2[a]	Subsets 2 and 3[a]	Subset 1[a]	Subset 2[a]	Subset 3[a]	None
Newark	Elizabeth	Duluth	Boston	Minneapolis	Santa Ana	Ft. Lauderdale	Des Moines
Hartford	Rochester	Norfolk	Springfield, Ma	St. Paul	Columbus, Ohio	Hollywood, Fla	Hammond
Camden	Yonkers	Richmond	New Bedford	South Bend	Chattanooga	Honolulu	San Bernardino
Bridgeport	Chicago	Birmingham	Erie	Kansas City, Mo	Spokane	Cambridge, Mass	Cedar Rapids
Atlanta	New York	New Orleans	El Paso	Denver	Austin	Phoenix	Rockford
Buffalo	Akron	Evansville	Macon	Alexandria, Va	Springfield, Mo	Waterbury, Conn	Huntsville
New Haven	Louisville	Nashville	Hialeah, Fla	Albany	Lexington, Ky	San Diego	Parma, Ill
Paterson	Stamford	Topeka	Tampa	Dearborn	Shreveport	Las Vegas	Independence
Jersey City	Oakland		Miami	Pasadena	Baton Rouge	Fremont, Cal	Peoria
Cleveland	San Francisco		St. Petersburg	Wichita	Knoxville	Riverside, Cal	Tulsa
Dayton	Worchester		Albuquerque	Garden Grove	Little Rock	Sacramento	Oklahoma City
Syracuse	Seattle		Stockton	Indianapolis	Fresno	San Jose	Fort Wayne
Detroit	Berkeley			Dallas	San Antonio		Livonia, Mich
Cincinnati	Toledo			Salt Lake City	Kansas City, Ka		Omaha
Flint	Portland, Ore			Warren, Mich	Corpus Christi		Houston
Pittsburgh	Long Beach			Madison	Hampton, Va		Greensboro
Philadelphia	Lansing			Allentown	Lincoln		Raleigh
St. Louis	Los Angeles				Tucson		Anaheim
Providence					Beaumont		Charlotte, N.C.
Canton					Montgomery		Huntington Beach
Scranton					Lubbock		
Milwaukee					Virginia Beach		
Trenton					Newport News		
Baltimore					Winston Salem		
Grand Rapids					Columbia, S.C.		
Gary					Amarillo		
Savannah					Memphis		
Youngstown					Columbus, Ga.		
Takoma					Jackson, Miss.		
					Mobile		
					Jacksonville		
					Portsmouth, Va.		

[a]Sub-set 1 are those cities with population decline between 1970 and 1976 of 2 percent or more.
Sub-set 2 are those cities with per capita incomes less than the all-city average in 1970.
Sub-set 3 are those cities with unemployment rates greater than the all-city average in 1976.

Source: The Urban Institute

employment base. All of the larger distressed cities have had recent declines in manufacturing employment. The cities over one million with the largest absolute manufacturing job losses for the period 1973-76 were: New York (15.5 percent decline), Chicago (12.2 percent decline), Los Angeles-Long Beach (6.5 percent decline), Philadelphia (12.7 percent decline), and Detroit (10.8 percent decline). Together these losses totaled 410,000 jobs or 59.3 percent of the gross decline in manufacturing jobs for cities over one million.

It should be pointed out that there was a national recession in 1974-1975, and manufacturing job losses may appear to be greater in these cities than their long-term losses. As the national economy improves, there would be some pick-up. Nevertheless, the magnitude of the losses indicates the seriousness of employment trends in cities where manufacturing has been a major mainstay in the economic base. The loss of high-wage manufacturing jobs tends, in turn, to depress per capita income growth.

TOTAL EMPLOYMENT AND MANUFACTURING EMPLOYMENT CHANGE, 1973-1976

Area	Total Employment Change		Total Manufacturing Change	
	000s of Jobs	Percent	000s of Jobs	Percent
United States	2,547.0	3.3	−1,112.0	−5.5
SMSAs*	1,118.0	2.0	−980.7	−6.9
SMSAs >1 million	317.4	0.9	−642.4	−7.8
SMSAs .5 to 1 million	169.4	1.7	−218.2	−7.8
SMSAs <.5 million	631.2	5.3	−120.1	−1.0
Non SMSA	1,429.0	7.0	−131.3	−2.2

*Data for 209 SMSAs.

Source: *Employment & Earnings*, September 1977.

Fiscal Distress and Employment Losses

Manufacturing loss coupled with the continuing decentralization of retail and wholesale employment also produces greater losses of revenues for these cities than does the loss of the same number of services and public sector jobs. These employment losses are therefore inevitably coupled with the symptoms of fiscal distress.

Most fiscal problems facing older distressed cities are attributable to a decline in their economic base and a per capita rise in the demand for public services. To the extent that higher service costs require local funding, the fiscal condition of the city is weakened. Local tax revenues in American cities from their own sources are derived primarily from the property tax (61 percent), sales and gross receipt taxes (22 percent), and other taxes, primarily on payrolls and utilities. In a city with declining population and jobs, the outmigration of households and employers has a depressing effect on the rate of increase in the value of residential, commercial, and industrial property. The level of new private construction is low, while some of the more marginal buildings are abandoned or demolished. Sales tax receipts are linked to income earned; if incomes are falling, sales tax receipts, particularly in areas where food is not subject to this tax, will also fall. Payroll and other income taxes are also directly linked to income earned. And although unemployment compensation and welfare payments rise, partially offsetting payroll losses, these are not subject to local income tax.

The Role of Annexation

The decentralization of population and economic activity out of central city areas is a pervasive national phenomenon as characteristic of growing urban areas as it is of those in distress. However, in newer and younger urban areas, central jurisdictions are not yet completely surrounded by incorporated municipalities. These latter central jurisdictions are able to continue their territorial expansion through annexation, thereby incorporating the new growth and tax revenues that go with it. Thus, they avoid the serious fiscal distress characteristics of many of the older cities. The presence of fewer incorporated suburbs and more flexible state annexation laws in the South and West has enabled more southern and western cities to expand through annexation than the older cities of the Northeast and Midwest.

For the Nation as a whole, there would have been no growth in the population of central cities of the 85 largest standard metropolitan areas without the enlargement of municipal borders through annexation.

Effect of Annexation on the Populations of the Central Cities of the 85 Largest SMSAs by Region, 1960 and 1970
(in thousands)

	1960 population	1970 population applying 1970 boundaries	1970 population applying 1960 boundaries	Number of cities declining between 1960-70 applying 1960 boundaries
Overall Mean (85 cities)	553	583	552	55 of 85
Northeast Mean (18 cities)	902	884	884	15 of 18
Midwest Mean (22 cities)	599	589	557	20 of 22
South Mean (27 cities)	332	397	347	13 of 27
West Mean (18 cities)	479	554	524	7 of 18

Source: U.S. Department of Commerce, Bureau of the Census 1970, and ACIR, *Trends in Metropolitan America*, Washington, D.C., February 1977, Table 1, pp. 11-13.

Annexation has enabled many southern and western cities to avoid severe fiscal distress and to continue to experience growth in city-based employment. Between 1960 and 1970, the central cities of the Northeast added no new acreage through annexation. Those of the North Central region gained by 30 percent in territory; the West by 37.7 percent; and the South by 46.6 percent.

To some extent, therefore, the problems of employment and population loss and fiscal distress of central cities are simply a reflection of the failure of jurisdictional boundaries to change with the patterns of economic and social activity in our urban areas.

While analyses of existing economic, social and fiscal conditions in urban communities can provide us with some measure of current need, they cannot, by themselves, provide a sufficient base of intelligence upon which local, state, and national efforts can be based to guide future development decisions. For that purpose, we must examine the implications of current trends for the years ahead.

1. Shifting Perceptions in the Face of New Realities

"We require such an understanding of the present conditions, as may give us some grasp of the novelty which is about to produce a measurable influence on the immediate future."

Alfred North Whitehead
in *Foresight*, 1933

Our perceptions often lag behind realities. We commonly become aware of trends affecting the development of our communities only after they have advanced sufficiently far to make their impact on our daily lives clearly felt. By the time we comprehend them, they may have already run their course and new trends, still in their infancy, may already be at work generating the next set of social and economic changes with which our citizens, communities, and states will have to contend. Yet, our lagging perceptions often underpin the public policies we adopt. Little wonder that, with the benefit of hindsight, we later criticize those same policies and programs for having been misdirected or as "too little and too late."

By comparing our perceptions today with those commonly accepted when a great deal of our present economic and community development legislation was enacted in 1965, we can see the laggard influence of information on our perceptions and policies.

The Energy Shift

In 1965, Federal policies and programs still presumed the ready availability of cheap energy. The patterns of our economic and community development were based on intensive energy consumption. We were actively discouraging the use of coal for environmental reasons. And many of the regions of our country with resource-based economies were assumed to be the most vulnerable to economic distress. Even then, however, there were numerous reliable forecasts of looming uncertainties in our energy supplies. They were not taken into account.

Now, in 1978, we are attempting to adapt ourselves to rapidly rising costs for energy and trying to alleviate the nagging dangers of interruption in our

Growth and Development Issues

As They Were Perceived in 1965	As They are Perceived in 1978
1. The Energy Shift	
• Cheap energy/resources	• Expensive energy
• Assured energy supplies	• Interruptible supplies
• Growth based on intensive energy consumption	• Conserve energy, curtail growth in consumption
• Resource regions vulnerable to economic distress	• Resource regions have economic advantage
• Decrease use of coal for environmental reasons	• Increase use of coal to decrease level of imports
2. The Population Shift	
• Substantial population increase must be accommodated	• Dramatic decline in population growth rates
• Educational systems must be expanded to accommodate post-war generation	• Some schools must be closed. Jobs, housing needed for post-war generation
• Urban areas swamped by immigration of rural poor	• Rural immigrations have ended
• Population growth of large metropolitan areas irreversible	• Population growth of large metropolitan areas has slowed or stopped
• Net migrations out of South to North and West	• Net migrations toward the South from the North
3. The Employment Shift	
• Manufacturing basis for area development	• Production not major source of new employment
• Need to attract manufacturing into lagging rural regions	• Manufacturing locations in outer suburbs and and rural areas, no longer in central cities
• Need to attract increased manufacturing into South	• Northeast has suffered major manufacturing losses
• Employment will be metropolitan	• Nonmetropolitan employment growing faster than metropolitan

energy supplies. We are attempting to shift toward policies that will encourage lower rates of increase in our consumption of energy, as well as its conservation. In trying to reduce increasing dependency upon imported energy, we are directing new attention toward more intensive development of domestic energy resources, including coal. And now there are concerns that the energy-importing regions of the country, rather than the resource-based regions, face future problems of economic distress.

The Population Shift

While much of our public discussion and debate in the mid-1960s was still preoccupied with potential problems that might be associated with rapid population growth, the post-World War II baby boom had come to an end. National fertility rates had resumed their historical descent to levels that are today below the population replacement rate. Now, because of this decline, many of the Nation's urban areas must plan, not for the accustomed population growth of the past, but for the inevitable population losses of the future.

In the mid and late 1960s, rural migrations to the metropolitan areas along the seaboards and around the Great Lakes were already dwindling to an end even as we were adopting policies intended, in part, to slow rural migration to the cities and to discourage the concentration of economic activity in large metropolitan areas. Today, much of our national attention is being drawn to the reverse of these same issues: the loss of population and economic activity in many older urban areas.

In the last decade, migrations from the South to the North and West were already diminishing rapidly and economic and population trends were shifting noticeably toward the South even as we continued to debate how the population outflow from the South might be slowed. Again, in contrast, our public discussions are now preoccupied with the implications of the accelerated diffusion of population and new economic activity toward the South and the Southwest for the older manufacturing cities and urban areas of the North.

Foresight and Policy

These contrasts in our attitudes between 1965 and 1978 clearly demonstrate that:

- In choosing courses of action, we must openly recognize that there are costs as well as benefits. Each action that attempts to deflect trends in one direction also diverts them from another. Today's solution can sometimes become tomorrow's problem. In 1965, many called for national policies that would encourage distribution of population and economic growth in more "balanced" patterns between urban and rural America and among regions of the country. In 1978, instead of finding cause for congratulations on the progress that has been made toward just such an objective, there is legitimate concern over the adverse consequences of such trends for the older urban areas that are losing population and employment.
- In choosing policies, we should try to base decisions upon the longer term implications of trends rather than upon those immediate consequences we are experiencing at the moment. To do otherwise condemns us to approaches that perpetually lag behind the very trends we seek to influence. We cannot presume that today's trends will persist unaltered only a few years from now. We do not formulate foreign policy or policies for national defense on the basis of such assumptions. We cannot afford to develop national urban policies in that way either.

Only by focusing policies and programs on what we want our communities to become, rather than simply reacting to the consequences of past trends, can we provide the common framework within which the states and communities of the country can gain some degree of control over their destinies.

The social and economic trends of this decade have profound implications for the future of urban communities in every section of the Nation. As an initial basis for formulating more coherent national urban policies, we must examine their longer-range import for urban development.

2. The Conservation Shift: Energy, Resources and Urban Growth

"Abundant, cheap energy has been a decisive element in the creation of modern America. Since the industrial revolution, fossil energy has increasingly replaced human labor in the workplace, supported a growing population, and led to a spectacular growth in productivity and higher standards of living for Americans. Today, the entire stock of capital goods from poorly insulated buildings to heavy and powerful automobiles is tailored to plentiful and cheap energy. But the days of abundance are now drawing to a close, and American society faces sobering new energy realities."

1977 National Energy Plan

Past Federal policies have, for the most part, implicitly underwritten the spread patterns of urban dispersal that today are proving more energy consumptive and more costly to service than many communities, individuals, and families are likely to be able to afford in the future. Studies carried out for the Environmental Protection Agency, Department of Housing and Urban Development, and Council for Environmental Quality have all consistently found that the accustomed patterns of sprawl development Americans have preferred in the past are more costly and wasteful in terms of energy consumption, environmental costs, community costs, and personal costs than planned urban developments at higher densities.

As one study by a University of Chicago team for the Environmental Protection Agency put it in 1974: "All trends point in the same direction: increasing size, increasing dispersion, and increasing automobile usage are producing the very urban forms and land use patterns that will increase rather than decrease environmental pollution."

These higher costs could be absorbed more readily in the past because many of them were passed on to the environment, energy was cheap, housing costs as a proportion of income were lower, economic growth rates were higher, and inflation was consuming less of our purchasing power. Additionally, following World War II, a combination of pent-up housing demand, the baby boom, and a continuing need for low-cost housing for the rural poor migrating into the cities made rapid expansion of new housing in the suburbs essential. Today, the baby boom is over and the inflow of poor to the cities has appreciably slowed. As the post-war baby boom continues to expand the share of young adults in the population, households will continue to form at a high rate well into the 1980s. These households are already differing appreciably in character from the post-war adult generation. These differences, in combination with higher housing costs, are already affecting housing consumption patterns.

The rising costs of energy, construction, capital goods, and services are also generating new state and community attitudes toward the patterns of urban growth and development. These changes in attitude are influenced by several factors other than the new imperatives for energy conservation and development:

- Inflation in the price of energy combined with material and labor cost rises and regulatory constraints have helped raise the costs of capital goods. The costs to communities for the construction of new facilities as well as for providing services have risen correspondingly. As a result, an increasing number of growing communities are adopting more rigorous policies with respect to the construction of new facilities. And in urban communities where economic and population losses are occurring, the financial capacity to provide even basic services is dangerously eroded. Capital expenditures in such communities have been cut back steadily.
- With the adoption of the Environmental Policy Act of 1969, the Nation, states, and communities are new committed to balance their growth and development against needs to protect the quality of the environment. In many of the most rapidly growing sections of the Nation, the accustomed patterns of spread development not only run counter to the aims of environmental protection, but in some instances,

Changes in Energy Prices Relative to Income and Other Price Changes, 1950-1977

Period	Percent Increase in Per Capita Disposable Personal Income (Current dollars)	Percent Increase in Wholesale Price of Fuel	Percent Increase in Price of Consumer Transportation Services	Percent Increase in Price of Housing
1950-60	43	19	56	24
1960-70	73	32	48	32
1970-77	80	327	53	52

Source Economic Report of the President

actually jeopardize long-run public health and safety. In such areas, far-reaching state and local land and water management controls have been enacted that attempt to control the dispersal of urban development.

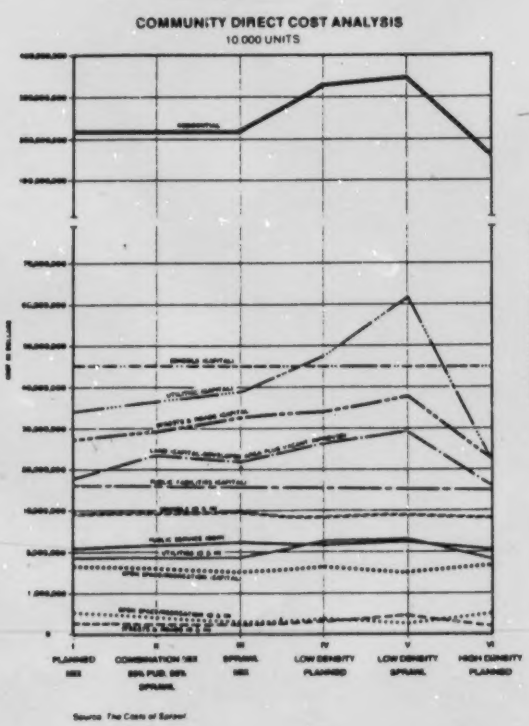
- In some regions of the Nation, the competition between urban expansion, agriculture, and energy development for constrained supplies of both surface and underground water require difficult trade-off decisions and carefully controlled patterns of future development.
- The growing importance of American agriculture to world food production has renewed regional and national interest in protecting prime farm lands from urban encroachment.

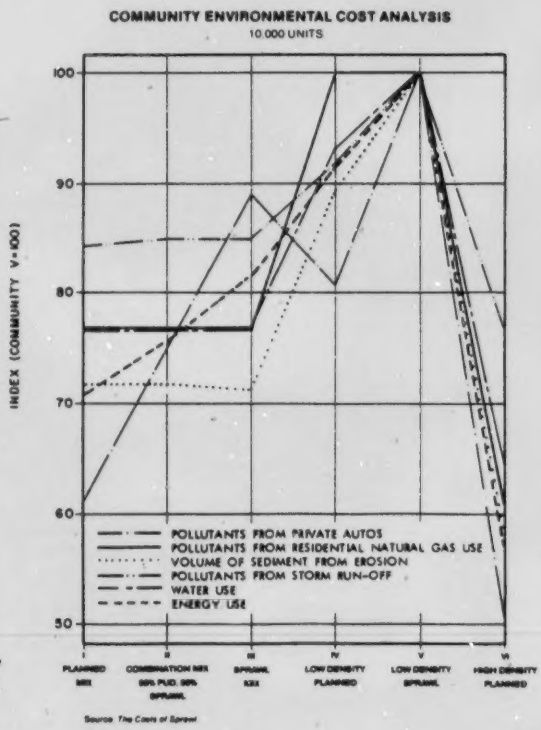
Managing Urban Growth

Obviously, new construction will continue to be required to meet a substantial portion of the Nation's residential and economic development needs. In those urban areas where immigration requires continuing additions to capital stock, new construction on the urban periphery is not only unavoidable, but essential.

Even in such instances, however, there is a shift in attitude away from "growth at any price" in favor of more orderly management of community expansion. In many parts of the Nation, expanding urban communities are no longer viewing growth as an unalloyed blessing. The fiscal and environmental consequences of haphazard urban development have prompted a number of states and communities in various parts of the country to attempt to manage the pace of urban development in order to more rigorously control increases in the costs of public services; provide for more predictable scheduling in the construction of streets and utilities; conserve land, energy, and capital; and protect the quality of their environment.

Many growing communities are now attempting to carefully assess the fiscal, economic, environmental, and energy impacts of development in advance of issuing permits. California legislation enables cities and counties to join together in determining what areas around the urban periphery will be serviced and brought into development under a carefully phrased schedule of development. This attempt to provide for more orderly development provides greater predictability in urban development and helps reduce the costs and inefficiencies that are associated with haphazard spread development that has placed the community at the mercy of uncoordinated private development decisions in the past.





Such attempts to manage the pace and direction of urban expansion are not without their problems. They result sometimes in rapid increases in housing costs because of restrictions on supply compared to demand, thus squeezing more modest income purchasers and renters out of the local housing market. They also occasionally give rise to basic constitutional questions. Do such attempts by communities to control their rate of growth interfere with the right of travel, for example? Or do they fence off some jurisdictions from low and moderate income individuals and families?

No clearer example exists of the conflicts and trade-offs involved in urban policy objectives. Short of the legislatures and courts, our communities and states—indeed, the Nation—have lacked the mechanisms and public processes required to weigh these conflicts carefully and to reconcile them. Now some states and localities, in pioneering legislation, are attempting to put such mechanisms and procedures into place. Such efforts will have to become more widespread as a new generation of growth and development issues emerges for each section of the country.

Protecting Prime Agricultural Land

For example, one of the original motivations behind California's urban development legislation was to help protect some of that State's prime agricultural lands from urban encroachment. Nationally, there are conflicting assessments over the significance of urban area expansion in the loss of prime agricultural lands lost to production.

While one panel of the National Academy of Sciences concluded that combined with water and energy costs, the losses of agricultural land to urban growth are substantial, another panel of the Department of Agriculture came to a contrary conclusion.

Nationally, the annual loss of cropland to urban uses is 300,000 acres compared to a national total of 400 million acres in cropland in 1973. The rate of conversion for urban development, therefore, amounts to less than 0.8 percent of our total cropland per decade. However, a large share of the Nation's prime agricultural land adjoins the country's urban areas. One Department of Agriculture sample of 53 counties indicates that almost one-third of all land converted to urban uses between 1961 and 1970 came from the prime classifications of agricultural land. In the West, 55 percent of land converted to urban use was agricultural; 54 percent in the Midwest; 31 percent in the Northeast; and 16 percent in the South.

Urbanization and Water

Still another difficult set of trade-off decisions in some regions involves water. In a large portion of the most rapidly growing section of the United States, water is once again emerging as a serious constraint on future development. Major Federal water diversion projects in the past have made the rapid urbanization and agricultural development of this drier quarter of the Nation feasible. Urban expansion in some areas has interrupted vital acquifer recharge areas. Some cities have been forced to purchase large tracts of undeveloped land in order to secure water rights. Urbanization in the Southwest has imposed critical burdens on ground water supplies being mined through pumping. If continued, ground water sources will eventually decrease to the point where it is no longer economic to use these sources. A similar problem occurs in areas where ground water aquifers are adjacent to sea water, as in South Florida. Pumping from these sources, at rates exceeding natural or artificial fresh water replenishment, ultimately allows intrusion of salt water and contamination of the aquifer.

In the past, the solution to such problems has been to transfer water from areas with more abundant supplies. These solutions are costly in terms of capital and operating expenditures, and are increasingly subject to environmental constraints and lengthy delays. Some of our major river systems are reaching a level of optimum development beyond which large investments yield smaller and smaller returns.

Many water diversion projects are Federally financed. On behalf of the taxpayers of the entire Nation, the Federal government has a direct interest in encouraging local patterns of resource use that do not impose extraordinary burdens upon the Federal Treasury. The states have jurisdiction over the institutional arrangements governing resource use and the prices charged for common property resources such as groundwater. Only through cooperation between the Federal government and the states, therefore, can means be found to resolve the difficult trade-offs between conflicting demands and escalating needs for water.

In such areas as the High Plains and some of the inter-montane basins, such decisions will be particularly critical in the coming years. Groundwater supplies are already being rapidly depleted, threatening the viability of agriculture in some of these areas. Intensive development of coal and shale resources in some of these same areas will impose extraordinary new burdens on the already scarce supplies of water. This will have significant implications for urban development.

Resource Development Towns

More intensive development of domestic energy resources, in order to reduce our dependency on imported fuels, will have profound consequences for the future development of every region and community in the country.

One unique dimension of future urban policy must deal with the problems some states and local areas will confront as the result of an influx of new population coming to develop energy resources. This new growth may occur on the site of an existing small community as, for instance, in a coal mining area of Appalachia; or a new community may be required in a sparsely populated area of the West.

The construction of such towns has been a colorful part of our history in the past. Lumbering and mining towns flourished and declined in the Upper Great Lakes region as the resources on which they depended were exhausted. Mining towns in the Mountain states and Southwest flourished briefly in the 1800s as lodes of silver and gold were exploited.

The problems of such communities today are different in character than in earlier periods of our national development. Public service requirements and expectations are much higher today. Good schools, roads, sewer and water systems and police and fire protection are expected by residents in such communities. The durability required today of structures such as roads and other public facilities compared to those of resource boom towns in earlier years imposes longer-term responsibilities and financing requirements on states and local jurisdictions.

Small established communities experiencing rapid population growth as the result of resource development face two problems: first, temporary peak demands on public services strain existing capacity. Peak demands may not warrant long-term fixed investments and rapid population growth may not generate a sufficient increase in the tax base to finance peak level increases in public services.

A second problem is the clash in lifestyles between established residents and the incoming population. Social problems arise over both small and large issues—nighttime entertainment, loss of small town amenities to existing residents, and in many cases the environmental changes that accompany resource developments.

Resource towns that are established where no previous towns existed before are a special case. Lacking a viable local jurisdiction, the financing of facilities for public services adequate to the needs of the incoming workers and their families is a special problem for states and counties.

Since much of our future energy development may take place on land leased from the public domain, the Federal government has a direct interest in minimizing inefficiencies and unnecessary disruptions caused by boom/bust development. To a large extent, however, the establishment and operation of a new community is a prime responsibility of state government and the local government that it has established. However, since the Federal government itself plays a key role in determining where such development takes place, it has a responsibility to work with state, local, and private interests in ensuring orderly development of such communities.

Conserving Urban Investment

As the costs of capital goods rise, so too does the replacement value of existing capital stock. In many of the nation's urban areas, both land and facilities lie idle or underutilized while nearby, new facilities are being constructed, frequently with Federal assistance, that duplicate that which already exists. To the extent that existing facilities can meet the purpose and are serviceable, such a practice of "throwing away" urban investment is no longer justified. To the extent that Federal policy inadvertently encourages such throw-away practices, it must be modified.

In many instances, savings in both energy and capital can be realized through the conservation of existing urban investment.

In attempting to improve the utilization of existing investment, the over-all result should ultimately be more compact, less diffused, patterns of urban development that incur lower transportation costs, lower heating costs, lower energy costs than the urban spread development of the recent past. Studies have consistently found that the amount of gasoline consumed per capita decreases as population density increases. The same results obtain as jobs, shopping, and homes are closer together.

It should not be assumed, however, that these findings implicitly favor the development of large, highly dense cities and metropolitan areas. Some research finds a decrease in per capita gasoline consumption as metropolitan size decreases. And while high-rise and multi-family units require relatively less energy for heating and cooling, it cannot be automatically concluded that the larger the unit, the less energy required. Test results have shown increased thermal efficiency in buildings of up to ten stories compared to

single-family housing. As buildings rise above 50 stories, however, the increased energy necessary for general services, such as elevators, overtakes energy cost savings.

Nor may it be assumed automatically in every instance that the renovation or modernization of existing facilities will invariably cost less and result in greater energy savings than would new construction. Much of our older housing and many of our existing urban facilities are highly inefficient in their use of energy and modernization may, in some cases, be more expensive than replacement or new construction elsewhere. Careful assessments of these trade-offs will be essential in the future. Unfortunately, however, there is virtually no comprehensive information about maintenance, upgrading, and replacement needs of our existing urban facilities nor of their present quality.

The most disturbing development in many of the nation's older urban areas has been the trend toward substantial retrenchment in expenditures for capital investment in and maintenance of physical facilities in the face of rising operating costs and tax base deterioration. One Urban Institute researcher reported to the Joint Economic Committee that state and local government spending for construction, repairs, and acquisition averaged about 29 percent of state and local budgets between 1960 and 1963. By 1976, that spending had dropped to 15 percent and it appears to have continued to decline in 1978. Fifty cities surveyed by the Joint Economic Committee reported an average capital need per city of $450 million to maintain, upgrade, and construct streets, roads, sewers, public transportation facilities, and police stations.

A number of 1977 surveys found that one of the major deterrents to economic development and private investment in the older cities was the declining quality of physical services and facilities required to service firms and their employees. Deteriorating sidewalks, streets, water and sewer systems were actually responsible in some instances for private decisions to leave the city.

As existing urban investment grows older, public safety is imperiled and the costs of repair and replacement rise. In 1977, the Department of Transportation reclassified many urban roads and streets previously designated as in "good" condition as only "fair" or "poor." Vital bridge links in major highway systems are also a growing problem in some areas. For example, Pittsburgh and surrounding Allegheny County share about 1,700 bridges. By 1980, over 1,000 of these bridges will be more than 50 years old with a growing incidence of safety problems. Correcting these deficiencies and other necessary road repairs will cost $300 million.

Many of the nation's 40,000 existing community water systems cannot meet the standards contained in the Safe Drinking Water Act of 1974. A significant number of these systems are very old, substandard, and unable to meet peak demands. Officials in Rochester, New York, estimate that $133 million will be required to bring that community's water system into compliance with the Act.

One 1977 general survey of community and economic development problems in the northeastern states found that most Federal grants-in-aid for capital facilities are unresponsive to the needs in older urban communities and implicitly favor new construction. The two largest such Federal aid programs are assistance for wastewater treatment, for which there are 46 separate grants-in-aid, and the Federal aid highway program.

The single largest capital expenditure need for federal assistance found in that survey was for the modernization of sewerage systems. Because of the age of wastewater systems in the older central cities, statewide average costs for meeting current and projected levels of service as well as the mandated Federal water quality goals, are far higher in those sections of the country where the concentration of older cities is high. For example, per capita total costs for providing mandated levels of system capability for the 1975 population are 50 percent higher in the Northeast than in the remainder of the country. A portion of the cost difference between that region and the rest of the country is attributable to costs for combined sewer overflows and costs of major rehabilitation. Yet current Federal grants-in-aid for wastewater treatment are heavily weighted in favor of construction of new facilities rather than renovation or modernization.

Public facilities are only one component of the total physical assets of older cities and inner suburbs that are being underutilized or abandoned in favor of new structures in newly developing outlying areas. Older housing and older commercial and industrial structures are a vital component of the existing stock of capital as well. In some instances, these structures may not be fit for future use and must be replaced or demolished. But in many instances, they can and are being converted to totally new uses unrelated to their original purpose.

Old mills are being converted into commercial centers, office buildings, and new industrial uses. Some

are being adapted to community and cultural use. One entire mill district of Lowell, Massachusetts, has been designated as a National Cultural Park. Several relatively small Federal grant programs have had an encouraging catalytic role in such developments. But the preponderant bias in existing grant-in-aid programs does not favor the recycling of existing investment.

Until recently, national housing policy was heavily unbalanced, favoring new housing construction against rehabilitation. Now as the economics of rehabilitation steadily improve in the face of rising construction costs for new housing, greater emphasis is being placed on rehabilitation.

But the rehabilitation of older housing stock will depend in the final analysis on the tastes and lifestyles of individuals and households. Projecting the trend of such subjective and personal preferences is a risky necessity.

"The factors behind the prevalence of metropolitan population decline are three: changes in the rate of natural increase, changes in the net migration into and out of metropolitan areas; and migratory exchanges between metropolitan areas. Of these, the strongest is the decline in the rate of natural increase which has resulted from the drop in the birthrate. Whereas in the 1960s, the natural increase of metropolitan areas stood at 1.1 percent per year, in the 1970-74 period it amounted to .7 percent and under .6 percent in recent years. This amounts to a drop of .5 percent in the rate of population growth from the last decade to the present. The net migration rate from metropolitan to nonmetropolitan areas was under .3 percent in 1975-76; it had been between .1 percent and .2 percent in the other direction in the 1960s for a change of about .4 percent per year. While these numbers are comparable, the drop in the natural increase is larger and more important than the reversal in metropolitan migration. At the same time, net migration from abroad has continued at a substantial rate (about .2 percent for net legal migration and perhaps as much for illegal immigration)"

Professor William Alonso, Harvard University,
in Hearings on *How Cities Can Grow Old Gracefully*,
Committee on Banking, Finance, and Urban Affairs
of the House of Representatives, December 1977

In the early and mid 1960s, there was some public concern over the perceived need to accommodate a rapidly growing national population in our urban areas. We were still engaged in expanding our school and higher education systems to absorb the dramatically increased flow of students from the post-World War II baby boom. The influx of black and Hispanic minorities into the central cities combined with the natural increase of those already in the cities had continued to result in population growth for many central cities and inner suburbs. Many expert observers were insisting that the growth of our largest metropolitan areas was irreversible.

As we now know, even then the underlying realities in our national life were at variance with these perceptions of the time. In 1978, the trends with which we are concerned are very different.

Migration and Community Growth

Because of our presently very low rate of natural population increase, it is now inevitable that migration will be the dominant force determining both population growth and decline in communities. Arithmetically, there can be no other result unless rates of foreign immigration radically increase and the immigrants distribute themselves in such a way that

they counteract the consequences of migrations within the country—a highly unlikely possibility.

Many communities and urban areas must therefore now plan for population decline rather than population growth, an unaccustomed challenge in the United States.

Of course, population decline need not be a major community or area problem—indeed it can be converted into an opportunity—unless it is so rapid and so highly selective that the losing communities grow increasingly poorer and older compared to the areas gaining immigrants. But selective migration is precisely what is happening in many of our older central cities and inner suburbs.

Migrants tend to be persons with relatively good employment prospects: those leaving are likely to be more highly trained, employable individuals. The population that remains contains an increasing proportion of the poor and unemployed. Furthermore, those who do move into areas losing population have a higher probability of getting the jobs which are available than those already there. Consequently, migration does not provide a smooth means for communities to adjust to shifts in population and employment. The result is frequently communities in distress containing people in distress.

As the economically better-off move out of the central city, it grows proportionately poorer relative to its own suburbs and the rest of the country. In 1970, it is estimated that 12.4 percent of families in central cities had incomes below the poverty level. By 1976, that proportion had increased to 12.8 percent. In the suburbs, the proportion declined during the period from 6.6 percent to 5.9 percent.

Foreign immigration into the United States continues at a consistent rate and at a high level relative to that for other nations. Much of this foreign immigration moves into metropolitan areas and accounts for a continuing positive flow of immigrants to metropolitan areas in general. But the magnitude and consequences of illegal immigration are much more difficult to estimate. Since many undocumented workers come from Mexico, they have tended to concentrate initially in the West and Southwest, particularly in agricultural areas. Despite this, over half of all illegal immigrants are now judged to live elsewhere in the country, including an estimated one-fourth in New York. Most studies of illegal immigrants find them to be young. Most start out in agricultural jobs. Two attempts to replace undocumented workers with citizens in specific jobs have been unsuccessful, indicating that they are performing jobs that most United States citizens have been unwilling to perform. The potential significance of illegal immigration for receiving urban areas is still unknown. Regardless, it is the decline in the rate of natural increase in population, migration between urban areas, and the changing age structure of our population that has the most profound import for the future of urban communities.

Population Shift and the Labor Force

Throughout the 1950s and 1960s, the Nation's states and communities were faced with the need to accommodate a large increase in the number of children in our population. That "bubble" of population is passing out of the school-age groups and into the young adult age cohorts. School enrollments are dropping. Some communities are closing schools even as others in the path of migration are forced to build new ones. During this decade and the first half of the 1980s, the challenge has changed: to absorb the young adults of this post-World War II generation into the Nation's labor force.

The 1960-1965 national labor force grew by 1.4 percent annually; between 1965 and 1975, it grew by 2.3 percent annually. Teenage entrants into the labor force have grown from 3.04 percent annually from 1955 to 1960 to an annual rate of 4.4 percent between 1965 and 1975.

This increase in the addition of young adults to the work force has been further augmented by a rapidly rising rate of participation by women in the job market.

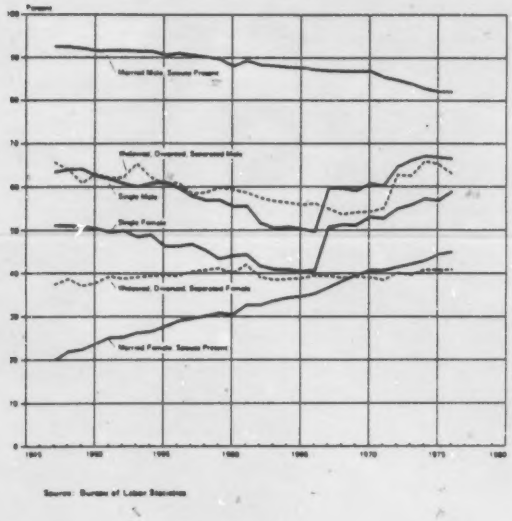
The 1978 Economic Report of the President points out that in 1956, women comprised 31.5 percent of the adult labor force and 31.3 percent of adult employment. But by the third quarter of 1973 these percentages had risen to 38.4 percent and 37.9 percent. From that period to the fourth quarter of 1977, employment of adult women increased by 15 percent compared with a five percent increase for men.

With more women in the work force and, in many cases, with the women being the sole adult in the family, day care services are increasingly critical. Some female family heads have been ill-equipped to participate in the job market. The problems of combining parenting, job training, and employment for displaced homemakers are growing more significant in many urban labor markets.

The extraordinary growth in the labor force resulting from increased participation by women and the large number of young adult entrants, comes at a time

when national economic growth rates are considerably lower than they were in the 1950s and 1960s. Nonetheless, more than four million new jobs were created in the country last year—an all-time record—and unemployment was reduced by more than one million persons.

Labor Force Participation Rates by Marital Status and Sex: 1947 to 1976



Source: Bureau of Labor Statistics

Black Teenage Unemployment

Despite this progress, the economy is not absorbing all the potential young entrants from the post-war baby boom. Teenagers comprised only 10 percent of the labor force in the fourth quarter of 1977, but they accounted for 24 percent of all the unemployment.

Black teenagers appear to be the leading victims of this youth unemployment. At the peak of the 1973 boom, the employment-population ratio was 49 percent for white teenagers and 28.2 for black teenagers. The ratios fell to 46.2 percent and 25.1 percent respectively in the trough of the 1975 recession. From 1975 to the fourth quarter of 1977, the employment-population ratio for white teenagers increased to 51.5 percent, but for black teenagers it continued to fall in 1976 and did not increase until 1977. Thus, white teenagers are now doing better than at the peak of the last business cycle, but black teenagers are doing no better than before the current upswing began. This situation appears to apply whether black youth are in the central cities or in rural areas. Wherever such youth are concentrated, however, the problem of black teenage unemployment is a socially, as well as economically, pressing problem for the Nation, for communities where such unemployment is concentrated, and for the young unemployed themselves.

Other Implications of the Population Shift

As the post-war generation moves into the adult-age cohorts, there are many ramifications for the Nation, the states, and communities.

Past research has found a strong correlation between crime, youth, and idleness. Providing that full employment can be attained and solutions to structural unemployment successfully implemented, it appears highly probable that crime rates that have so adversely affected the social and economic life of cities and older suburbs will begin to decline.

As young adults born during the post-World War II baby boom move from school into the work force, the relative size of the population, young and old, dependent upon breadwinners in the working adult age groups will also decline. The 1977 central city dependent population was roughly 24.6 million, a drop of approximately two million since 1970. The suburban dependent population also declined in size during the 1970s, losing about half a million people from its 1970 level of 32.5 million. Hence, while the dependent population has declined at a modest rate in both areas, the wage-earning population increased significantly in the suburbs while remaining at about the same level in central cities. In suburban areas the wage-earning group increased by 10 million (20 percent) from about 40 million to roughly 50 million. In central cities the wage-earning population remained at about 35 million.

Of course, in the latter half of the 1980s, these same shifts in the structure of our population will create new challenges. As the numbers of new entrants into the work force decline, labor shortages rather than labor surpluses may be our concern.

The population bulge created by the baby boom coupled with the projected continuation of lower birthrates will also create a succession of problems for the Nation's institutions as this cohort moves through the age cycle.

Future shifts in the age distribution of the population call for new thinking on how the Nation delivers critical public and private services. In particular, the design and location of buildings might increasingly include consideration of future conversion to other uses. Facilities with rearrangeable interiors is one alternative. Building systems which can be dismantled and reused may be another.

Such design changes would help hold down the costs of public services in a future environment of fundamental demographically related demand changes. Public school systems, hospitals, old age and nursing homes and low-income housing are examples of services requiring greater facilities flexibility as a result of future population shifts.

Thus opportunities for national urban policy are opened up for the next seven to ten years that will differ from those that will be available in the latter half of the next decade.

Increase in the Number of Households

Not the least of these potential opportunities is the fact that, despite declining population growth rates, the rate of the nation's household formation will remain high into the latter half of the 1980s when the number of younger new households will begin to decline as the post-war generation passes into the older age levels of the population.

In the meantime, the high rate of new entrants into the household-forming age groups has combined with a persistent decline in the size of households from 3.67 persons per household in 1940 to 3.33 in 1960 to 3.14 in 1970 to 2.89 in 1976. These new, smaller households are profoundly different from those in past decades. They signal one aspect of the third important shift in our national life: the Lifestyle Shift.

"We are in the midst of an all time high in household formation stimulated by the post-World War II baby boom. This is coupled with relative increases in small households caused by changes in age profile and lifestyle, factors embodied in the planner's concept of headship rate or household incidence."

Roger Montgomery, Professor of City Planning, University of California at the Citizens Forum in San Francisco, California, June 22, 1977

Lower fertility rates and lower dependency ratios, combined with increasing female participation in the labor force and smaller households, signal changes in lifestyles with significant potential consequences for the nation's communities and regions.

From 1970 to 1976, the U.S. population grew by slightly over five percent. Total households grew by 15 percent. The number of households consisting of adults and children grew by nine percent. Husband-wife families grew by only six percent while single-parent families headed by a male grew by 16 percent and those headed by a woman grew by 33 percent. The number of households consisting of adults alone increased by 38 percent and the number of households consisting of unrelated individuals increased by 67 percent.

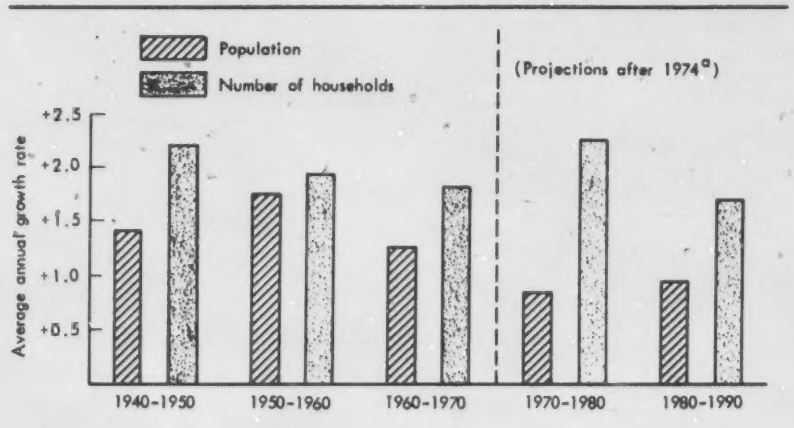


Fig. 1 — Annual growth rates in population and number of households, 1940-1974, and projections to 1990

[a] Population projection: Census Series II
Household projection: Census Series C

Source: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 601 and No. 607.

The Changing Role of Women

From 1965 to 1975 the proportion of white households headed by women has grown from 18.4 to 21.8 percent; for nonwhite women the proportion has risen from 30.2 to 37.6 percent of the nonwhite households. The number of female-headed families is a rising fraction of families. In 1975, 36 percent of black families were headed by women compared to 11 percent of white families. Half of these black female-headed families and 26 percent of the white ones were below the poverty line. This averages out over the U.S. population to nearly one in every three female-headed families being below the poverty line. With more women in the work force, and, in many cases, with the women being the sole adult in the family, day care services are increasingly critical. Some female family heads have been ill-equipped to participate in the job market. The problems of combining parenting, job training and employment for displaced homemakers are growing more significant in many urban labor markets. This has been a decade of transition not only for cities but also for the individuals and families within them. The changing lifestyle of women has played an important part in this transition. The improvement of cities and the quality of life will in part be determined by the nature of adjustments to these trends and by the fresh insights women can contribute.

The Changing Nature of Households

George H. Brown, formerly Director of the Bureau of the Census, has observed in a summary for the Conference Board that, "Not too long ago it was customary for unmarried persons—be they youngsters, oldsters, spinsters or benedicts—to live in someone's household. For years, this custom has been slowly changing, but it is currently moving at a revolutionary rate. As the following table indicates, the change in the percent of households occupied by one or two persons was greater in the six-year period 1970 to 1976 than in the 10-year period 1960 to 1970.

One- and Two-Person Households

Year	Percent of All Households	Percentage Point Change from Prior Period
1940	31.9	——
1950	39.7	7.8
1960	40.9	1.2
1970	45.8	4.9
1976	51.2	5.4

Source: The Conference Board.

"To put this in perspective, it took 100 years (1790-1890) to move one- and two-person households from 11.5 percent to 16.8 percent—a change of 5.2 percentage points, or .5 points per decade. In the next 50 years the percentage rose to 31.9, for a gain of 15.1 percentage points, or three points per decade. But in the 25-year period 1940 to 1976, the percentage point gain has been 19.3, or eight points per decade. And the end is not in sight."

A Department of Agriculture study attempted to project the implications of this changing household structure for housing and concluded that one possible series of developments would be that a large demand for multifamily units and mobile homes will continue into the early 1980s. The study speculated that overcapacity in apartments may occur by the late 1980s as the number of households under 25 abruptly declines. During the next ten years, the estimate anticipates a considerable increase in demand for single-unit structures; at first in the moderately priced ranges, later in more expensive housing.

Other forecasts anticipate the possibility of a strong decline in the demand for the single-family detached home during the next 25 years, estimating that such housing will come to total less than a third of new housing starts over that period compared with over half of all new housing in recent years. At present, however, it appears that many young householders are purchasing homes earlier in their careers than has been true in the past, partly to avoid still higher housing costs in the future.

Projecting individual and family tastes is a very risky undertaking. Preferences change easily from decade to decade. It does appear reasonable to assume, however, that household behavior in the future will be considerably different from what we have known in the past, partly because of the changing social character of households themselves, partly because of a steady rise in housing costs.

Rising Housing Costs and Minorities

National and metropolitan trends in housing costs from 1974 to 1976 indicate that more households are finding it necessary to pay greater shares of their incomes for housing. It has been generally assumed that about 25 percent of household income is an appropriate allocation by individuals and families for shelter. An increasing percentage of American households is paying more than this share for its housing. And the impact has been more serious for central-city minority residents than for the population at large.

In central cities, in 1974, about 70 percent of all households paid less than a fourth of monthly income

for housing. By 1976, the percentage paying that amount or less had dropped to 65 percent. Among households with annual incomes above $7,000, approximately 60 percent of all minority households and over 70 percent of all nonminority households paid a quarter or less of their income for housing. By 1976, the share of both populations paying that share had declined by several percentage points.

Thus about 40 percent of all minority households are paying more than an appropriate share of household income for housing. Furthermore, in central cities, from two-thirds to three-quarters of all minority households are renters and in 1976 over 80 percent of all low-income central-city renters were paying more than 25 percent of household income for the same purpose.

New Markets for Old Housing: Is There a Back-to-the-City Movement?

It is these conditions among low-income homeowners and renters in the central cities that raises some concern about the potential of the so-called "back to the city" movement or "gentrification" as rising housing costs enhance the appeal of older housing for middle- and upper-income purchasers of housing.

Is there evidence of such a "back-to-the-city" movement of middle- and upper-income households? Is there a strong new interest in the rehabilitation of older urban housing that signals new opportunities for urban redevelopment as well as problems of displacement for low-income families should such a process accelerate?

The Urban Land Institute has estimated that some private rehabilitation is taking place in 75 percent of all cities over 500,000 in population. It reports that most of this rehabilitation is concentrated in specific neighborhoods with unique architectural or historical qualities or with other unique amenities. In a recent HUD study it was observed that:

- Rates of immigration to central cities for whites, and the white share of total immigrants to cities, have gradually increased since 1970 in most of the SMSAs studied. But only in Los Angeles is there consistent evidence that whites may be "returning" to the central city: rates of immigration to the central city and of selection of the central city by suburban movers have both increased sharply since 1970, and net intrametropolitan movement has changed to net inmovement to the central city by whites.
- In the other 10 SMSAs, whites still appear to avoid the central city. The post-1970 data resemble the pre-1970 patterns in showing net intrametropolitan outmigration from the central cities by whites, low rates of central city selection of suburban whites, and generally stable rates of white inmigration. The only evidence of a change in trend is the slight decrease, in 9 of 11 SMSAs, in the rate at which white central city movers leave the city for the suburbs.
- Evidence of increased central city attractiveness, however, is more pronounced among the important young adult group, aged 20-34, than among all whites. Above-trend increases in white inmigration rates for those aged 20-24 are found in 7 of the 11 cities, along with a continuation of rates greater than 50 percent in Atlanta and Washington. Central city retention of movers in these age groups has also increased more since 1970 than for whites of all ages summed.

In overall terms, renewed interest by upper-income groups in older central city housing has had no appreciable effect so far upon the persistent patterns of middle and upper income dispersal out of central cities and older suburbs. The relative poverty of central cities compared to suburbs has continued to increase throughout this decade. Between 1960 and 1975, the share of metropolitan families with incomes over $25,000 living in central cities dropped from 45 percent to 33 percent. The trend for families with $15,000 to $25,000 income was similar, declining in the central cities from 47 percent of the metropolitan share of such families in 1960 to 38 percent in 1975.

However, such data measure the past. It is essential that we attempt to detect nascent trends, early in their development, that may ultimately have important consequences for our communities and regions. A conjunction of several trends indicates that some selective growth in upper-income households may be underway in selected neighborhoods adjoining the central business districts of many cities. To date, much of this so-called "gentrification" is occurring among households with incomes above $25,000. It appears to represent not so much a "back-to-the-city" movement as a relocation of those who are already residents of the cities or of new households.

A conjunction of rising costs for new housing plus the changing social character of households today accounts for most of this interest. While current and real income have grown significantly in the last ten years, rising housing construction costs have priced many middle- and low-income buyers out of the market for new housing and toward existing housing. A recent study of the nation's housing at the Harvard-MIT Joint Center for Urban Studies found that, in 1965-66, of the 75 percent of families in the middle- and lower-income brackets, 70 percent purchased

new homes in that period. In the period 1975-76, of the 75 percent of all families in the middle- and lower-income brackets, only 42 percent purchased new homes in that period.

The market appeal of used homes has increased, but their prices have also risen with the general escalation in the price level. The cost differentials have given some of the impetus to new interest in the rehabilitation of existing housing stock in urban areas. Whereas new and used prices were comparable in 1970, in 1976 new house median prices were 16 percent higher. This differential is important to the market for used housing. The wider the difference between average new housing construction costs and purchase price plus renovation costs for older housing stock, the greater the economic pressure for residential redevelopment. Since 1970, the purchases of existing homes relative to new homes has steadily increased.

The Urban Land Institute reports that between 1965 and 1976, annual expenditures for housing maintenance and improvement increased 17 percent (in constant 1973 dollars)—from $17.8 billion to $20.8 billion. During the same period, however, expenditures for new housing construction declined from $33.8 billion to $25.9 billion, although the 1975 recession affects these results. In 1975, housing improvement expenditures were equal to 80 percent of new construction expenditures.

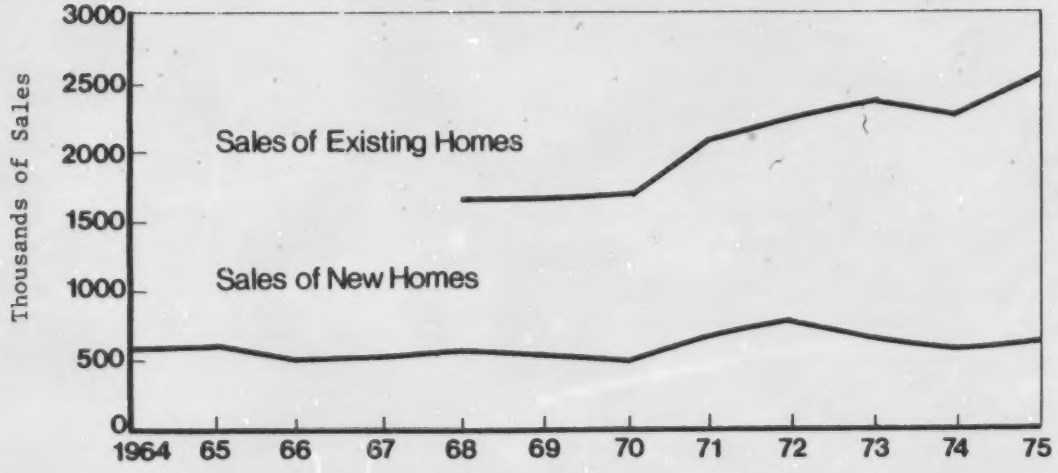
It goes on to point out, in a study of private market renovation in older urban areas, that owner-occupants in the central cities of the nation's metropolitan areas spent $2.6 billion for maintenance, repair, and construction improvements. "By 1975," the research group reports, "this figure had risen nearly 35 percent, to $3.4 billion, expressed in constant 1973 dollars. This rate of increase in owner-occupant activity far exceeds that found in the suburbs."

This increase in activity of higher income households in central city areas is not yet statistically measurable in terms of economic improvement in central cities and older suburbs. But at another level of detail, the early consequences are becoming more visible.

One recent study found an interesting pattern emerging among the 20 largest cities in the country. It attempted to determine how many census tracts in each city had become wealthier and more highly educated than the rest of the surrounding metropolitan area and how many had become less so during the decade 1960-1970.

Three of the 20 cities with very strong central business districts in white collar employment increased in the number of high median income and educational attainment tracts over the decade: New York, Washington, and Boston—even while losing population and experiencing housing abandonment in many lower-income neighborhoods.

National Trends in Sales of New and Existing One-Family Homes: 1964-1975



Source: National Association of Realtors "Existing Home Sales Monthly Report," Washington, D.C.: N.A.R. Department of Economics and Research, August 1976; and U.S. Bureau of the Census, Construction Reports "One-Family Homes Sold and For Sale," Annual.

National Housing Investment: New Housing Construction and Improvements to the Existing Housing Stock: 1965-1975 (In Constant 1973 Dollars)

Year	Expenditures for New Housing Construction (billions)	Expenditures for Housing Maintenance and Improvements (billions)	Total Expenditures for Housing Construction and Maintenance (billions)	Expenditures for Housing Development as a Percent of Expenditures for New Housing Construction
1965	33.8	17.8	51.6	52.7
1966	29.2	17.6	46.8	60.3
1967	27.6	17.0	44.6	61.6
1968	33.5	17.7	51.2	52.8
1969	33.2	17.3	50.5	52.1
1970	30.1	18.4	48.5	61.1
1971	41.4	19.2	60.6	46.4
1972	48.7	19.4	69.1	39.0
1973	47.9	18.5	66.4	38.6
1974	33.7	19.0	52.7	56.4
1975	26.9	20.8	46.7	80.3

Source: U.S. Bureau of the Census, Construction Reports, "Value of New Housing Put In Place," annual, and "Residential Alterations and Repairs," Back-to-the-City, Urban Institute, 1977.

Seven more cities with declining populations posted gains in high median income and educational attainment neighborhoods close to the central business district: Detroit, Philadelphia, Seattle, Minneapolis, Pittsburgh, Milwaukee, Los Angeles, and Baltimore—again even in the face of population losses and neighborhood abandonment in some low income areas.

Three cities experiencing population losses that failed to demonstrate growth in the number of high median income or educational attainment tracts were Cleveland, Newark, and St. Paul.

The central cities of metropolitan areas still attracting substantial immigration have experienced declining numbers of high median income and educational attainment tracts in the face of these population influxes: San Francisco, Dallas, Houston, and Fort Worth.

While these findings are far from definitive, they hint at possible processes of social and residential restructuring that may begin to occur as cities and metropolitan areas cease serving as important destinations for inmigration. Properly nurtured, these processes for diversifying the income and residential mix of central cities indicate some opportunities for national urban policy in the future.

Motivations, Attitudes, and Urban Policy

Whether these opportunities can be realized, however, will very much be determined by attitudes of individuals and households toward the kinds of communities in which they prefer to live.

In a special national poll on attitudes toward cities commissioned by the Department of Housing and Urban Development, most citizens were still found to view the cities as the locations in which to find the best museums and cultural activities, the best transportation, the best restaurants, the best health care

The number of tracts with median family income and median educational attainment greater than or equal to that for the SMSA

City	High median: Family income 1970	Family income 1960	Educational attainment 1970	Educational attainment 1960	Total number of tracts 1970	Total number of tracts 1960
Atlanta	2	16	9	19	71	71
Baltimore	0	1	2	4	54	54
Boston	7	3	10	5	24	24
Chicago	8	6	12	12	63	59
Cleveland	1	2	2	2	80	75
Dallas	3	6	9	9	42	42
Detroit	3	0	5	2	46	45
Houston	1	8	10	14	38	38
Los Angeles	1	0	11	15	91	91
Milwaukee	4	6	10	8	82	82
Minneapolis	4	5	19	15	70	70
Newark	0	1	0	1	61	61
New York	72	59	90	77	136	131
Philadelphia	9	15	18	15	106	100
Pittsburgh	12	14	11	10	80	80
St. Louis	2	0	3	1	28	28
St. Paul	1	3	3	3	33	33
San Francisco	11	17	32	33	77	77
Seattle	7	10	13	15	36	36
Washington, D.C.	18	7	24	19	66	66
Total	166	179	293	279	1,284	1,263

and public health services, the most diverse employment opportunities and chances for advancement, the best shopping, the best higher education institutions, the best parks and playgrounds, and the best public services—clearly a list of perceived advantages attractive to many of the new, better educated, less child-centered households now being formed.

But in this same national poll based on a sample of 7500 participants, cities were also perceived as having more crime, worse schools, and worse housing than suburbs or small communities. As if to underline this perception, most Americans believe that cities are the worst environments in which to raise children. Less than half of those interviewed, who are current city residents, want to see their offspring reside in cities when they grow up.

When these negative perceptions of social disorder are weighed in the balance with the favorable attitudes toward cities, the attitudes that lie behind urban dispersal come clear.

Three out of ten American adults say that they will definitely or probably move to a new residence in the next few years. City residents sampled in the poll are somewhat more likely to indicate moving intentions than are persons living outside of cities: 35 percent of current city residents indicated that there is a good

probability that they will move compared to 29 percent of surburbanites and 26 percent of nonmetropolitan residents.

The clear population losers in this relocation process are America's cities. Approximately 15 percent of all persons who presently reside in central cities intend to move in the next few years to areas outside their own or another city. Only about three percent of all persons who presently reside outside of central cities plan to move to a large city within the next few years. If the potential for migration, as indicated by the statements of intention elicited in this poll, is realized, we can expect a continuation of the outflow from cities toward outlying suburbs and exurbs.

So long as fears over public safety, deficient schools, and deteriorating housing and public facilities outweigh the pull of urban living for many of today's households, any strategy for revitalizing cities and older surburbs is unlikely to attain the objectives laid down for it. Not only will these concerns over the social quality of life in cities deter an influx of new vitality and activity, they will act to drive still more population and economic activity out, leaving the remaining poor caught in a vicious cycle of decline from which they cannot escape.

Central City Housing and Neighborhoods

It is, after all, the minority families living in our cities who are most adversely affected of all by these very conditions. In this poll, more than twice as many blacks as whites saw crime as a severe problem for them and their neighborhoods. And while only 16 percent of white city residents cited housing conditions as a problem in the community, 51 percent of the black respondents did.

The possibilities for dealing with neighborhood crime and schools are discussed later in this report. It is equally essential, however, that housing markets in the central cities and older suburbs be opened up to the regular processes of renewal and improvement that operate elsewhere.

Older central cities and inner suburbs must become competitive with suburban and nonmetropolitan communities as places in which to live if their economies are to be restructured and revitalized. A strategy for these older communities must focus on two aspects of their residential development: (1) reversing the process of social and residential decline in existing neighborhoods; and (2) enhancing their ability to compete for new households that will help diversify the mix of income groups in the community and strengthen the local residential tax base.

There are signs of housing progress as well as decline in the central cities. The homeownership rate among black families has increased and now stands at 37 percent. However, central cities are consistently the only group of communities containing more renters than owner-occupied households.

Inner city housing construction is proceeding at only about half the rate—about 1.5 percent—of metropolitan housing expansion. The share of metropolitan housing in the central cities has declined from 50 percent to 40 percent between 1960 and 1976. The median age of housing in the central cities, 31 years, is higher than for any other category of community.

The proportion of overcrowded housing units in the United States has continued to decline from eight percent in 1970 to five percent in 1975, but the rate for black households remains twice as high as the rate for all households.

The mechanical adequacy of housing—electrical outlets in every room, full and private kitchen facilities, adequate plumbing systems, and home heating systems—has continued to improve, but again low income central city households, both black and white, lack adequate plumbing more than twice as often as all central city households. At least ten percent of all low income, minority households in central cities report structural deficiencies in housing despite a steady decline in such deficiencies by one half in the suburbs and one third in the cities between 1974 and 1976.

A number of indicators signal retrogression or failure to move ahead in improving the quality of urban housing and neighborhoods. Despite the growing need to conserve energy, there has been no improvement in the number of single family metropolitan homes with storm windows, storm doors, and adequate insulation in walls and attics. Roughly two-thirds of all single family inner city homes lack storm windows and storm doors compared to about half of all suburban homes.

Neighborhood quality, as measured by such indicators as abandoned or deteriorated housing and presence of rats or mice, is declining rather than improving in metropolitan areas and is worst in central city neighborhoods. Between 1974 and 1976, the proportion of all central city residents noting the presence of rats or mice jumped from nine percent to 11 percent. In the same period, the proportion of black households in central cities registering the same com-

plaint increased from a little less than 25 percent to slightly more than that share.

The proportion of central city residents living in neighborhoods where there is abandoned or deteriorated housing is increasing at about one percent a year. By 1976, when 10 percent of all central city residents lived in deteriorating neighborhoods, over a quarter of all minority central city residents lived in such areas.

Arresting Decline

The causes of urban neighborhood decline are many: the boom in suburban housing construction in previous years; relocation of employment; racial tension; high concentrations of poverty and unemployment; the inadvertent consequences of public policies, destruction of neighborhood and community values; and unavailability of financial and other resources to maintain and renovate existing housing. Residential rehabilitation in central cities and older suburbs must deal with all these contributors to neighborhood decline and abandonment.

Progress is now being made in improving the availability of capital for inner city housing and neighborhoods. Red-lining—the practice of discriminating against certain neighborhoods and homes in the provision of mortgages, rehabilitation loans, and insurance protection—has been progressively outlawed at each level of government. Many cooperative approaches between government and private lenders to improve the availability of capital for home improvement and construction in older neighborhoods are now getting under way.

The Community Reinvestment Act is a key tool in increasing the availability of credit to urban home buyers and the Home Mortgage Disclosure Act assures that inner city residents are informed accurately about the terms of local lending practices.

Segments of the financial community, such as the savings and loan associations, have embarked on special industry-wide efforts to improve the availability of capital for home improvement and construction in urban neighborhoods. In Milwaukee, St. Louis, Philadelphia and Pittsburgh, lending institutions have joined in a variety of arrangements to improve the availability of mortgage loans to older neighborhoods.

But housing improvements must be coupled with employment opportunity if the central city poor are to be enabled to move into the mainstream of our national life.

"We look at the economic trends that have taken place in this country since the turn of the century where we had 38 percent of our population in the work force on the farm and manufacturing. If we look now at the 1970s, we have four percent of our population on the farm. We only have 32 percent of our population in manufacturing, and we now have 65 percent of our population working in the service sector. . . I just went to a firm in Hartford, and they said, "Here is the packaging line where we used to have 34 people working. Now, we are automated, and we have only four." That shows you how we are changing. If you want to put the people in the city back to work, they have to write, and that means education."...

Nicholas R. Carbone, Hartford
City Council
Boston Citizens Forum,
May 23, 1977

In 1965, there was still a presumption that the bulk of expansion in production and service employment would occur in the Nation's major metropolitan areas. Migrants were moving, though in dwindling numbers, to the metropolitan centers in the expectation that they would get jobs they were unable to find at home. Programs intended to help lagging rural regions attract new jobs provided incentives to lure manufacturing firms into nonmetropolitan areas.

In 1978, perceptions are very different. Manufacturing is no longer a major source of new employment growth nationally. New manufacturing locations are in outer suburbs and nonmetropolitan areas. And the areas where such jobs were once concentrated are losing them through plant modernization and closures with a fall-off in plant expansions and new firm formations. Central cities have been the primary losers, mostly in the Northeast and Great Lakes regions, but also including Los Angeles, San Francisco, Seattle, and New Orleans, and several other older manufacturing centers of the South.

Regardless of regional location, central city shares of manufacturing employment have been declining over a long period. Between 1967 and 1976, total employment increased in all the Nation's large metropolitan areas except New York, while manufacturing decreased in almost half of them.

It appears unlikely that large-scale traditional manufacturing will ever again find central city locations suitable except under unique circumstances. Such locations are likely to remain uncompetitive in terms of space and other costs with other sites in less con-

Annual Percentage Changes in Manufacturing Employment in Central Cities: 1963-1975

	Number of Central Cities	Annual Rate of Change During Period (Percent)	
		1963-72	1972-75
Northeast	11	-2.1	-5.3
Midwest	19	-1.0	-3.1
South	16	-2.5	-0.8
West	10	-0.2	-0.5
Central Cities	56	-0.8	-3.8
U.S. Manufacturing Employment	NA	-1.4	-1.3

Source: 1963 and 1972 ***Census of Manufactures***, and 1975 ***Annual Survey of Manufactures***

gested locations, though central city locations may become competitive for smaller innovative and specialized industries.

Because they developed at a time when manufacturing located in cities and towns to be close to workers, many of the older cities and suburbs in the Northeast and Midwest still have higher than average shares of manufacturing employment in their job base. San Jose is the only large metropolitan area ouside of the Northeast and Great Lakes areas with more than the U.S. average share of 24.3 percent manufacturing in its employment base.

For cities that have specialized in manufacturing in the past, the transition to a new economic base less reliant upon manufacturing will pose special challenges. As Thomas M. Stanback and Matthew Drennan, at Columbia University, point out: "In New England, the Midwest, and the Great Lakes, 65 percent or more of the metropolitan areas specialize in manufacturing." Such cities have been the least successful in capturing major new economic growth in nonmanufacturing employment. For example, the rapid growth employment sector of finance, insurance, and real estate serves as one indicator of an urban area's role as a major center of service industry. Regional capitals and amenity centers such as Denver, Phoenix, Miami, Atlanta, New Orleans, Dallas, and some Florida, cities all show higher than national average share of metropolitan employment in that sector as do such national centers as New York, Boston, Chicago, and Los Angeles. But cities with the lowest shares are such heavy manufacturing cities as Buffalo, Pittsburgh, Milwaukee, St. Louis, Cincinnati, and Cleveland.

The clustering of so many older industrial centers close together in the old Manufacturing Belt of the Northeast and Midwest makes it difficult for all cities in those two regions to become service capitals. As a consequence, they lag behind urban areas elsewhere in their nonmanufacturing employment as well as manufacturing employment growth. The number of service sector jobs in southern cities has increased at twice the rate of northern cities between 1960 and 1975.

Internationalization of Production

An increasing share of manufactured goods purchased by American consumers is produced in foreign countries, sometimes by American-owned firms, more often by foreign producers. As the world economy becomes more integrated and trade barriers are relaxed, older manufacturing centers grow increasingly concerned that the decentralization of production results in manufacturing employment shifts not only within the country, but overseas.

The impact of overseas production on domestic production takes several forms:

First, American firms may invest in overseas production facilities. Since World War II, as the world's largest source of investment capital, the U.S. has led in the amount of foreign investment. In 1976, direct foreign investment by American firms totaled $137 billion. But as a percentage of gross domestic private fixed investment, U.S. foreign investment has declined from an average of 5.6 percent in the period 1960 to 1964 to 2.3 percent between 1970 to 1974. On the other hand, if the comparison is between capital expenditures by majority-owned foreign affiliates of U.S. companies and nonresidential gross private domestic investment, the percentages are substantially higher, averaging 16.5 percent between 1973 and 1976.

Assessments of the impact of this overseas investment by American firms on domestic employment vary. A 1972 study by the U.S. Department of Commerce estimated a positive gain of 600,000 jobs because of purchases of intermediate goods and equipment in connection with these investments. The U.S. Tariff Commission, using a number of different assumptions, estimates the impact as ranging from a gain of 500,000 jobs to a loss of 1.3 million.

In 1973, imports from U.S. foreign affiliates were only a small fraction of total sales by these affiliates —about seven percent, and these were a much smaller fraction of total U.S. sales.

A second aspect of international production that affects U.S. manufacturing is competition from foreign firms. If the value of the dollar declined sufficiently, it is conceivable that the U.S. could competitively export many products that it has hitherto

imported. However, U.S. producers are still not competitive with foreign producers in several industries. For example, in 1965, steel imports were 11.2 percent of U.S. production. By 1976, this share had climbed to 16 percent. In 1965, foreign auto imports were 4.4 percent of U.S. production. By 1976, they had reached 23 percent. The shoe industry now has 46 percent of its sales supplied by imports, up from 18 percent in 1968.

Industries with more than 20,000 workers displaced by foreign competition and assisted under The Trade Adjustment Assistance Program, are apparel, leather, primary metals, fabricated metal products, electrical and electronic equipment, and transportation equipment. All but apparel are concentrated in the old Manufacturing Belt regions of the Northeast and Midwest.

For older manufacturing centers, foreign competition is an added factor in the dispersal of jobs.

Suburbanization of Nonmanufacturing

Within the metropolitan areas, suburbanization of employment has proceeded at a rapid pace. In SMSAs greater than 100,000 population between 1960 and 1970, employment in areas outside the central cities grew by 47 percent while central city employment grew by only seven percent.

While suburbanization of employment is occurring in all metropolitan areas in all regions of the country, it is more pronounced around the older, denser cities of the Northeast and Midwest where suburban employment has been growing at rates in excess of ten times those of the central cities. While allowance must be made for annexation, suburban employment in the South and West is growing only about twice as fast as in the central cities.

However, political and statistical boundaries should not be permitted to obscure from us the actual changes that are occurring in human behavior as metropolitan employment decentralizes.

The Central City as an Employment Center

First: even though central city shares of total metropolitan employment are declining, they are still the major job center in most metropolitan areas. Despite rapidly declining central city populations in the 1960s, central-city employment did not decline as fast. Suburban residents who work in the central city have offset the decline in residents working in the central city. Thus, creating new jobs in the central city is no necessary guarantee that those jobs will be filled by central city residents.

Distribution of Workers by Place of Residence and of Employment in SMSAs of 100,000 or more, 1960 and 1970

Living: Central City	Working: Central City			
	Inside	Outside (000's)	Total	Percent of Total
1960				
Inside	18,301	2,028	20,329	53.3
Outside	6,491	11,325	17,816	46.7
Total	24,792	13,353	38,145	—
Percent of Total	65.0	35.0	—	100.0
1970				
Inside	17,843	3,456	21,299	46.1
Outside	8,626	16,238	24,865	53.9
Total	26,469	19,694	46,164	—
Percent of Total	57.3	42.7	—	100.0

Source: Urban Decentralization, Urban Institute, 1977

Secondly: because a worker lives in the central city does not necessarily mean any more that he or she works in the city. The number of persons commuting from central city residents to surburban jobs increased by 70 percent from 1960 and 1970 while suburban dwellers who commuted to central city jobs increased by only 33 percent. A study of New York, St. Louis, Philadelphia, Boston, and Chicago—prototypical "older cities"—found that the number of persons commuting from central cities to suburbs for work is increasing relative to the number making the accustomed surburb-to-city daily trip. Between 1960-1970, while suburb-city commuting was growing at rates of up to only 13 percent for the period, the number of reverse commuters from city to suburb more than doubled in Chicago; almost doubled in St. Louis; grew by over 50 percent in Detroit and Philadelphia and increased by 14 and 19.5 percent in Boston and New York.

Central City-Suburban Interdependence

Such data not only reflect the diffusion of residential and employment patterns that now characterize the Nation's overall growth; they also reflect the essential economic interdependence existing between city, suburb, and outlying rural areas on the fringe as living and working patterns intertwine and the old "wagon wheel" image of the metropolis with a strong core gives way to a poly-centered urban region in which the old center is but one of several centers, albeit a unique one.

Suburban residents depend upon the central business district for many of their jobs even while central city residents commute in the other direction. Given these intertwined patterns of commutation, it is not surprising that the rate of suburbanization has accelerated since 1970 while some white "gentrification"

of neighborhoods close to central business districts has become evident.

People in Distress

The central city poor stand isolated from the benefits of these changes, however. As the employment opportunities they most seek decentralize into the outer suburbs and beyond into nonmetropolitan areas 25 to 50 miles away from the metropolitan fringe, they no longer have the option of moving to live near a job in the same sense that they and their relatives moved into the city from rural areas in search of opportunity. The cities absorbed this inflow of population through the "trickle down" of housing from middle- and upper-income households to lower-income households. In smaller communities where housing facilities and services are more scarce and inmigrants more visible, such as a process does not occur and in-movement is resisted, sometimes through racial discrimination.

IV. Assisting Urban People and Places in Distress

"How do we satisfy the myriad claims to human rights and freedoms? By providing an urban environment which will allow for the social mobility which has traditionally been the economic and philosophic backbone of our country.

Robert Gilmore, Building Trades Council of San Mateo County Citizens Forum, San Francisco June 22, 1977

Places and Places

There has been a longstanding dispute among specialists over whether, in attempting to meet human needs, it is best to concentrate most aid in income payments, training, and promoting mobility or shall we concentrate our efforts on building up the surrounding community, its housing and the job opportunities it offers?

A strategy focused purely on people assumes perfect mobility. Once trained, people will move to where the jobs are. A purely place-based strategy may provide a physical environment unrelated to resolving the problems of people who live in it—a mistake of the housing programs in the 1930s.

Successful national urban policy will depend upon a wise balancing of aids to people in distress with strategies to improve the economic and physical conditions of the communities in which they reside.

Congress long ago settled this dispute among purists by attempting both people- and place-related strategies because it recognized that:

- People are not perfectly mobile. Sometimes there is no place for them to go. Frequently they have equity in homes and businesses that anchor them in a community.
- Communities and states are integral parts of our Federal system. Their fiscal integrity and ability to service their residents is directly dependent on their ability to compete economically in a thriving national economy.

Even if the unemployed of the cities were perfectly mobile and there were adequate job opportunities elsewhere, such a "natural" adjustment process would take time to occur. However, many of the unemployed are far from perfectly mobile and adequate numbers of certain types of jobs are simply not available anywhere in the country.

Those with skills in demand are able to move about the country in search of jobs. The central city poor are simply not in demand elsewhere. There is an excess supply of unskilled workers in every region of the country. They either tend to stay where they are or their movements are cancelled out by cross-migration, e.g., an unskilled worker will move to Los Angeles in a futile search for a job, while a worker from Los Angeles will move to Detroit in a similar quest.

The older, skilled, blue-collar workers who lose their jobs in plant closings and job displacements are usually not very mobile either. They own homes in communities where such homes will be harder to sell than before. They are unable or unwilling to make major occupational changes. Family and other ties make them poor prospects for migration even if jobs were available for them elsewhere.

Nor is it feasible for the Nation to adopt a "hands off" policy with respect to communities in transition hoping that nature will take its course and the area will eventually attract new enterprise as wage rates drop in the face of high unemployment.

Unfortunately, there is little evidence that wage rates in an area will be reduced as employment declines. In fact, just the opposite appears to be true; cities with high rates of population loss, high and increasing unemployment rates, and low rates of income growth have the highest average wage rates and the high rates of wage increase. Several factors including minimum wage laws, existing wage contracts, and administered prices within industries help to account, in part, for the failure of this mechanism to work as expected. As a result, high labor costs in these declining areas will continue to inhibit new investment. Further, high wages attract inmigrants. Thus, in places losing jobs, continued high wage rates will continue to attract inmigrants keeping unemployment high. These patterns seriously weaken the ability of the system to reach a new equilibrium.

While we have attempted to aid both people and places in the past, we have not done so with any coherence. Separate programs enacted for separate purposes were administered separately with little or no comprehension of the consequences for either people or places.

National urban policies must consist of a delicately balanced series of strategies designed to help both people and places; some addressed to human needs in the near-term, some to community potentials in the long-term, including:

- A "people" component designed to provide immediate and mid-term assistance to individuals to maintain good health; be educated and trained for productive, permanent jobs; be housed in a decent,

safe, and sanitary home; and to realize his or her full potential without infringement by discrimination.

- Physical and economic development components designed to create a physical environment conducive to new firm formation in the community and to provide the incentives, space, land, services, and quality of operating environment required to attract and retain potential residential, nonmanufacturing, and specialized high-employment growth manufacturing reuses appropriate to central-city locations in the future.
- Social and neighborhood components aimed at correcting the social disincentives and impediments to economic revitalization, i.e., declining schools, high crime rates, and chronic welfare problems while improving neighborhood housing and living conditions; enabling workers to live anywhere of their own choosing in the metropolitan area; and diversifying the mix of income groups residing in the city itself. The central areas must become competitive with suburbs by offering a unique residential environment. No city can long survive solely as a reservation for the poor. A diversified residential base is essential to both the restoration of a stable tax base and the redevelopment of the economic base in the central areas, so long as displacements of low-income families and individuals can be avoided through the use of special aids.
- A fiscal component designed to assist these cities in transition to meet the needs of their inhabitants in the face of tax base deterioration while they shift toward a more viable economic base. While intergovernmental fiscal transfers from Federal and state governments offer the only immediate device for accomplishing this aid, long-term solutions will depend upon still another element.
- Governmental restructuring. The structure, functions, and financing of local governments in these older urban areas no longer match the social and economic realities that exist. States will confront the urgency necessity for local government streamlining and reform in these areas in the decade ahead. It is likely that the growing economic problems of these areas will compel such reforms despite long standing political opposition.

Opening Up Opportunity for the Urban Unemployed

Economic development in the central cities and older suburbs may not match up with the employment needs and skills of the central city unemployed. Many of the new jobs that might be developed might readily be filled by workers living elsewhere in the metropolitan area. Unemployed central city residents must have the opportunity to compete for jobs anywhere in the metropolitan labor market—or elsewhere in the country, for that matter. To enable them to do so will require special carefully targeted efforts to remove racial discrimination from housing and employment markets, special education and training efforts, and assistance in commuting to or moving to jobs.

As the President's Urban and Regional Policy Group has reported, racial discrimination in the labor market and lack of education and training, related in part to past discrimination, are far more important than housing segregation in explaining the low earnings of inner city minority populations. Precise figures are not available, but discrimination appears to result in higher rates of minority unemployment and lower rates of job mobility. Holding education constant, minorities suffer higher unemployment rates than whites, and seem to be excluded in some industries from top professional and management categories.

Minority unemployment in cities is generally more than twice the level for whites. In many distressed central cities, nearly 40 percent of the black youth are unemployed.

This does not always mean that no jobs are available in central cities. Despite the shift of jobs from central cities to suburbs and in some cases to other regions, **central cities offer more jobs than the number of potential workers who live there.** The high rate of chronic minority unemployment, particularly in distressed central cities and their older suburbs, is mainly caused by the mismatch between people's skills and the skills needed for available jobs, reinforced by discrimination. In this context the rapid loss of manufacturing jobs in distressed cities narrows employment opportunities for the unskilled or nominally skilled. Minorities are in the "wrong place" because firms able or willing to hire them have closed, moved away from, or are not expanding near where they live. They also have inadequate training and education. As a result they cannot easily compete for jobs remaining in the city or elsewhere in the metropolitan labor market.

Cities are not well equipped to deal with this problem. Industrial technology is changing, requiring less labor and more capital. Many of the new public and private service jobs require levels of education and training often not found among chronically unemployed minorities.

Affirmative Training and Placement

Affirmative training and placement programs for the unemployed must be matched up with whatever newly developing job opportunities may exist within the

urban labor market. This can only be done through close coordination and planning with employers. Vocational and technical training schools will have to be operated as a key component of an affirmative labor market strategy.

Federal Comprehensive Education and Training Act funds, together with other manpower and youth employment funds, should serve more than cyclical purposes and be combined into a carefully targeted training program for permanent jobs operated in cooperation with private employers. It should be designed to alleviate structural unemployment in the central cities.

The question of providing moving costs to trainees wishing to relocate to jobs outside of their local labor market should be openly examined. Such relocation is in the long-range best interests of both the worker and the jurisdiction. Such payments are regularly made to workers by other advanced industrial Nations. To date, the United States has not done so except on a demonstration or experimental basis.

Transportation

Urban transit systems must be reoriented from servicing solely the suburb-to-city commuter, who are using the system at declining rates, to the reverse city-to-suburb or cross-metropolitan commuter. Whole employment prospects depend upon public transit out of rather than into the city. Servicing widely dispersed suburban employment locations may require use of new, smaller scale transit units on flexible routes.

Public Service Employment

In the short term, it is essential to put unemployed urban youth to work on public service jobs. These jobs can be directly related to enhancing their skills and ability to compete for mainstream employment. Public service programs should also be used to improve central city capabilities to support economic redevelopment, i.e., improvements to streets, utilities, parks, living environment, neighborhood attractiveness. Such work should be affirmatively combined with out-of-school efforts to eliminate functional illiteracy among out-of-work youth and to equip them with both a work ethic and fundamental working skills.

Placement of Displaced and Structurally Unemployed

For out-of-work youth capable of going on to private employment, there are ample uncommitted Federal youth employment funds to support cooperative employment programs with private employers. Under these programs, private employers can receive a subsidy to hire such workers at or above the minimum wage with the objective of moving them eventually into mainstream employment.

The displaced, skilled, mature manufacturing worker has far different needs. Such workers, with substantial equity in their homes and out of work solely because of plant modernization, relocation, or shutdown, are able and willing to work, but unable to find work appropriate to their skills locally. To meet these problems, regional employment information and forecasting services operated in cooperation with the Employment Services, might be seriously considered. At the time displacement occurs, such a regional job information bank could work closely with these mature workers in identifying job prospects nearby or elsewhere that are reasonably appropriate to their skills. Retraining and mobility assistance might also prove necessary in many cases.

Discrimination

Although we have enacted strong legal prohibitions against discrimination of all kinds, the President's Urban and Regional Policy Group has reported that minorities still face formidable attitudinal, structural and institutional barriers to their full participation in the life of this country. Union seniority systems, residential redlining, income requirements for loans, credentials requirements for jobs, gerrymandering of political jurisdictions, and poor quality services of all kinds combine to severely limit the access of minorities to the resources they need to improve their own condition and that of their neighborhoods and communities.

In addiition to structural institutional barriers, there is ample evidence that intentional, motivated, explicit racial discrimination continues to occur throughout the country. This evidence includes housing discrimination cases prosecuted by the Department of Justice involving outright refusal to rent or sell to minorities, coding records to show racial preferences to landlords, selective advertising, instructions to sales personnel to steer minorities away from certain areas, as well as racially based threats of reprisal. It is instructive to note that the Justice Department prosecutes only those cases involving disriminatory practices which, in its judgment, are widespread.

Interviews with employers as well as employees indicate that the same motivated discrimination exists in the job market as it exists in the housing market. Independent of education, minorities suffer higher unemployment rates, and lower incomes than their

white counterparts. Minorities are systematically excluded not only from employment opportunities, but from promotion opportunities as well, as is amply indicated by the Department of Justice caseload in employment discrimination. Minorities continue to be grossly under-represented in the top professional categories, and this is not for a lack of credentialed minority candidates. In one Southwest city, no major law firms have hired available black attorneys. This pattern is repeated to a greater or lesser extent, in city after city across the country.

There also is evidence that racial discrimination is independent of income. Holding income constant, the 1974 Census Bureau tabulation of the characteristics of low-income households shows that 8.4 percent of poor white families reside in low-income areas of central cities while 40.4 percent of poor black families live in such areas. Also, a 1974 study conducted by the four Federal financial regulatory agencies confirmed that a higher rate of rejection of minority applications by mortgage lending institutions occurred at all income levels. The higher rejection rate occurred even when the number of years applicants were in their present positions remained constant. It occurred regardless of the level of debt. It also occurred regardless of the applicants' total assets and it occurred for loan requests of all amounts.

Rejection of applications for minorities earning from $15,000 to $25,000 was 50 percent higher than for nonminorities earning the same amount. Minorities who had been in their present occupation for 3 to 5 years were rejected at a rate almost double that for nonminorities. Among the applications from nonminorities with debts totaling $5,000 to $10,000, only 18 percent were rejected, although fully 39 percent of the minorities with that level of debt had their applications rejected—a rejection rate of more than twice that facing nonminorities. Similarly, 25 percent of minorities with assets of $20,000 to 30,000 were denied loans, as compared with only 12 percent of nonminorities with such assets. Thirty-one percent of applications from minorities for loans of $2,500 to $5,000 were rejected, but only 12 percent of applications from nonminorities for loans of that size were rejected, revealing a rejection rate for minorities considerably more than twice that for nonminorities.

Much of the discrimination against minorities which occurs in mortgage financing is deeply ingrained in the practices which are followed by banks, savings and loan institutions, and indeed in the criteria observed by Federal regulatory institutions. The types of discrimination which occurs vary and may include, for example, outright refusal to make loans to minorities, the refusal to extend credit to minorities for homes in residential areas occupied by nonminorities, the refusal to make any loans in certain geographic areas (redlining), and the designation of certain areas as the only ones in which loans will be made to minorities.

These various forms of housing market discrimination are at the root of other forms of racial deprivation. They have distorted patterns of urban growth, cut off minorities from access to growing suburban employment markets, subverted efforts to desegregate public schools and equalize the quality of public school education, caused inequitable distribution of the burden of providing essential services to lower-income urban populations, and contributed to the deterioration of much of our urban life. Also, discriminatory mortgage lending practices have restricted the home ownership opportunities of middle-income minorities, thereby subjecting them more often to higher housing costs and inferior housing and denying them a principal means of saving and accumulating wealth.

The Federal government has played a role in the creation of segregated residential neighborhoods. In its 1971 report on the racial and ethnic impacts of the 235 program, the U.S. Commission on Civil Rights found that the traditional pattern of separate and unequal housing markets for white and minority families was being perpetuated. The Commission, in studying the program for four cities, found that new 235 housing was in most instances located in suburban areas and nearly all was being purchased by white families. To the extent minorities purchased new 235 housing, the housing was located in subdivisions reserved exclusively for minority residence. By contrast, in all four metropolitan areas, most of the existing 235 housing was located in ghetto areas or changing neighborhoods in the central city and nearly all was being purchased by minority families.

In selecting sites for Federal facilities, the Federal government only recently has begun to give priority to communities with an adequate supply for nondiscriminatory housing for Federal employees.

Minority business participation in SBA's regular business loan program declined at a greater rate from fiscal years 1974 to 1975 than did total participation during that time (20 percent compared to 14 percent). And there was a disproportionate decrease in minority participation as Government contractors (a decrease for minorities of $3 million, as compared with an overall increase in procurement of approximately $30 billion).

"Federal policy changes cannot reverse the locational impacts of many basic trends in the economy, but they should help regions and localities cope with the adverse impacts of these trends, shift from one economic base to another, and take maximum advantage of their economic strengths. High priority attention in Federal policy and actions should be directed toward areas and communities in distress—declining central cities, rural areas of high poverty concentration, and areas suffering from acute economic dislocation."

Dr. Charles E. Bishop, President of the University of Arkansas
Summarizing some workshop deliberations at the White House Conference on Balanced National Growth Economic Development, February 2, 1978

As the President's Urban and Regional Policy Group has pointed out, many American cities are reasonably healthy. Their economies are growing or stable and they appear able to manage whatever population and economic change they are experiencing. These cities do not yet have severe problems. They usually can cope with the difficulties they face. Many can annex new territory to encompass newly developing areas and tax base.

In Growth the Seeds of Future Problems

Even in such communities, however, conditions exist that, in time, can lead to them to repeat the experience of the older cities already in distress. Some of these cities, such as Houston, are experiencing pollution problems and some concerns are developing over rapid territorial growth and its long-term fiscal implications. Honolulu has experienced smog alerts recently. In many cases, growth itself, which brings so many benefits, also brings its problems. In recent years, new housing production in many rapidly growing areas has barely kept pace with demand. High demand for housing has inflated housing costs. Annual out-of-pocket housing costs for homeowners in Houston, for example, grew by 49 percent between 1973 and 1975. In Pittsburgh, those costs went up only 14 percent during that period.

The need for housing in growing areas is most often satisfied with sprawling residential developments. Settlement patterns often neglect environmental considerations and frequently wasteland and energy.

Some areas feeling the strain of rapid growth have reacted by imposing stringent controls on development. Despite reasonable prosperity, most larger healthy cities contain pockets of poverty and neighborhood decay. While they remain fiscally strong, their poor and minority residents often are trapped in ghetto areas. Today, older inner suburbs are experiencing the same problems as the central city.

Thus, while most cities in the country today are not in distress, many have problems, some significant, that can lead to distress if not dealt with early. For example, of 152 cities examined by the Urban Institute for population loss, income growth, and increasing unemployment, only 19 were found to be doing well in all three respects.

In some cities, such as El Paso and Macon, where noticeable population loss has not yet begun, high unemployment and low growth of per capita income nevertheless prevail. On the other hand, some cities with unemployment rates below the national average in 1976—cities such as Cicero, Huntington, and Kansas City—have suffered both population decline and stagnating per capita income. Cities such as Seattle and Long Beach, despite healthy increases in per capita income, have encountered population loss and high recent unemployment. Even some cities with job, population and income growth have shown above average unemployment rates—though in many instances, many of those out of work have been without a job only for a relatively short period of time.

It is in the national interest that all cities be assisted in forestalling the early seeds of problems from sprouting into full-bloom distress.

The Symptoms of Severe Distress

But it is clear that a high priority must be placed upon helping those cities currently suffering the most acute distress.

In some cities the entire spectrum of urban distress is present:

High unemployment, population loss, increasing relative or absolute concentrations of poverty, severe fiscal strain.

Social and economic difficulties, enviromental pollution, neighborhood and housing decay often strike at once, paralyzing the city's ability to make ends meet and respond to the legitimate needs of residents. Attempts to solve one problem often make others worse. The result is a city in distress.

Nationwide, central city population fell by less than 1 percent per year in the first half of the 1970s. But the average population loss of the top ten cities on a "distressed list" prepared by the Urban Institute was

more than twice that fast, exceeding two percent last year. Several distressed cities are losing population even faster—St. Louis lost nearly 11 percent in just three years (1970-1973). And cities such as Buffalo, Cleveland, Pittsburgh, and St. Louis lost more than one-fifth of their total net population in the 13 years from 1960 to 1973.

As population has declined in the Nation's troubled cities so has the number of jobs. Cities with high unemployment rates and declining population have lost significant numbers of private sector jobs.

Chronic unemployment is a signficant cause of poverty in distressed cities. But unemployment is not the only cause of poverty. Many of the poor are women with young children, unable to work and without a dependable source of income.

Poverty is found in nearly all cities, but its relative concentration is increasing in cities experiencing the other signs of hardship. Nearly 20 percent of all residents in the ten most distressed cities identified in a study by the Brookings Institution were poor, ranging from almost 15 percent in Buffalo to nearly 26 percent in New Orleans.

Because of the impact of modern production technologies, communications, and transportation upon the roles of cities in our economy, many cities and the urban areas of which they are part, are in transition from the old employment base upon which they grew and developed in the past to a new one that more accurately reflects the developing patterns of employment and location in today's post-industrial economy. During the period of this transition, they find themselves caught in a vicious cycle: they must modernize their facilities and environment to meet the new conditions in our economy, but they lack the tax resources to do so. Because they are losing employment and middle- and upper-income population, their tax base is deteriorating. Yet because the relative concentration of poor is increasing, they find it necessary to provide services which the poor cannot support out of taxes. To sustain the services in the face of rising costs, they curtail capital expenditures to modernize and maintain public facilities which further erodes their ability to attract new investment and jobs which can provide the only long-term solution to their problem.

Clearly, coherent systematic strategies are required to meet the problem of these communities in transition:

- They require Federal and state as well as private assistance in moving forward with long-term efforts to restructure their economic base and become competitive once again for private investment.
- They must curtail the processes of neighborhood erosion that are accelerating abandonment and embark upon residential strategies at the neighborhood level that will restore the sense of community and attract new middle- and upper-income households into the city while enabling existing neighborhoods at all economic levels to stabilize and even improve the quality of life and housing. Federal and state assistance will be necessary to enable such efforts on a large scale.
- They require emergency fiscal assistance from Federal and state governments to enable them to embark on new initiatives aimed at restoring some economic self-sufficiency. If they are forced to fall back upon expedient measures of their own for lack of Federal and state aid, they cannot escape from the cycle of distress in which they currently find themselves.
- Finally, if their long-term fiscal problems are to be solved, major state action is called for, with Federal encouragement, to modernize the structure, finances, and service responsibilities of local governments in urban areas.

"I am convinced that an industry moves to a location—or remains in a location—because of the willingness of a local community and a state to cooperate in overcoming problems and not because of legislative manipulations designed to force an industry to stay put."

Governor George Busbee, of Georgia
Before the White House Conference
on Balanced National Growth and
Economic Development
Washington, D.C., January 31, 1978

Until recently, few municipalities assumed that economic development was a significant or necessary concern of city government. Under the pressure of events, that circumstance is changing rapidly and some cities and metropolitan areas are developing highly sophisticated tools and mechanisms to promote their economic redevelopment, nearly always involving joint public and private planning.

Frequently under state enabling legislation and with active state support, city-wide development corporations, regional development authorities or agencies, industrial development authorities, new city and area mechanism to coordinate training and economic development—all are being tried and tested in cities and metropolitan areas throughout the country.

Cities in transition are rapidly recognizing the need for a comprehensive set of capabilities to meet the special challenges they confront in diversifying and expanding their economic base beyond their past specialties. To varying degrees, these efforts are evolving toward such capabilities as:

- The ability to simplify local decision-making on economic development projects;
- The ability to hold or assemble land;
- The ability to provide long-term, low-cost mortgage financing;
- The ability to engage in risk-sharing through coventuring;
- The ability to provide fiscal financial incentives such as tax abatement in exchange for desirable development;
- The ability to obtain cooperative services and capital improvements in conjunction with development projects;
- The ability to coordinate economic development with housing improvement.

State Actions

In an increasing number of instances these efforts have been accompanied by state efforts to establish:

- A state development agency or cabinet capable of bringing the full resources of state government to bear on major local projects;
- A one-stop point of contact for local government and private investors and developers on economic development matters;
- A balanced business tax structure that encourages business retention and modernization as much as it favors the attraction of new firms;
- A set of state banking and financial regulations that favors rather than deters access to investment capital;
- A set of state incentives, guarantees, subsidies, and low-interest loans that reinforces and complements the powers provided to the local agencies.

A number of Federal incentives have already begun to encourage greater public and private cooperation in undertaking comprehensive economic development programs in urban areas that are in the throes of transition. The Economic Development Administration of the Department of Commerce has provided planning grants to a group of cities attempting to coordinate manpower, economic development, and capital improvement planning through cooperation between the public and private sectors. The Urban Development Action Grant program represents a significant new initiative in encouraging major projects, comprehensive in scope, that require close cooperation between private and public leadership.

Improving the Availability of Capital for Urban Investment

To successfully reverse the trend toward urban disinvestment, special incentives are required in the early stages of urban redevelopment to make cities in transition competitive for new investment. A redirection in some of the flow of investment toward these cities will require some intervention at the Federal and state levels to make investment in these areas competitive in risk and return with investments elsewhere.

Capital for Neighborhoods

Renovation of neighborhoods in urban areas requires funds, but individual units in inner city neighborhoods have not in the past appeared to be attractive investments to private lenders compared to suburban locations. Today there are some examples of commitment and innovative arrangements among government officials, neighborhood residents and financial institutions. Many financial institutions are lending skilled personnel to neighborhood preservation efforts. Financial pools designed to spread the risk by rehabilitating declining neighborhoods are being

formed by financial consortia. In Chicago, one of the largest savings and loan institutions has called upon leading financial and legal consultants, as well as community activists, to develop proposals for undertaking a new and close relationship between downtown lending institutions and promising neighborhoods. Cooperatively, neighborhood improvement is occurring where on an individual basis renovation probably could not have proceeded. The risks involved in such investment are reduced when renovation is done over a multi-unit area and when the contribution of funds and insight are spread over a large number of firms.

Capital for Small Firms

Large firms, no matter what their locations, probably will have little trouble raising investment funds so long as the firms are profitable. Small firms, on the other hand, generally find it more difficult to obtain funds and are ordinarily limited to local lenders. Smaller firms are much more likely to find in-city sites attractive. Thus, incentives to attract investment into cities in transition should be tailored in part to encourage private investment in smaller enterprises.

There are two very different types of small firms which require somewhat different approaches—those whose market will always be small—for example, local service providers—and high-growth potential venture capital firms.

Small firms have sometimes found it difficult to raise capital because of restrictive state legislation or costly filing rules. Entrepreneurship, management, and technical skills have not been widely enough nurtured. Improvements in management skills would make it easier for these small firms to raise money and stay in business.

Venture capital funds from large financial institutions have been limited by Federal regulations. For example, prior to the Employee Retirement Income Security Act pension funds either directly or through venture capital companies were a source of venture funds. Sixty-four percent of pension trustees surveyed by the International Foundation of Employee Benefit Plans in 1976 reported that as a result of the 1974 pension law they were less willing to invest in anything other than blue-chip investments. A change in the "prudent man" rule to have it apply to the entire investment portfolio rather than individual investments would make it possible for these firms to provide venture capital funds again.

Larger scale investments will require still other state and Federal incentives and approaches. In such cases, capital for land assembly and other "front end" costs may be as significant as construction and operating capital.

Physical and Economic Development Component

While population and employment decline in the core urban areas is certainly perceived as a problem, the physical and economic development component of an urban strategy must be designed so as to take advantage of population loss as an opportunity to restructure the city physically and economically.

Neighborhoods and enterprises that are still viable and not yet in conditions of advanced abandonment or decline must be protected, reinforced, and assisted. But areas and facilities already abandoned should be prepared for conversion to totally new functions appropriate to the future economic and social role they might play in a post-industrial economy. Abandoned properties slowly drifting into public ownership through tax delinquency should be replaced with totally new uses—commercial, residential, industrial, recreational or cultural.

Interviews conducted in major cities in conjunction with this report found a pervasive concern over the growing amount of either abandoned property or property not currently being used for any residential, commercial, or industrial purposes. Present prices for such land remain high. Usually it is in scattered plots, with insufficient acreage in any one place for large-scale commercial, industrial, or residential development.

Several steps appear to be in order to accelerate the recycling of land in the cities to new uses:

1. The states and municipalities should adopt legislation expediting the process by means of which tax-delinquent properties pass into public ownership. The process is needlessly protracted in most states at the present time.

2. The states should adopt legislation permitting land banking, including the use of eminent domain, in areas candidate for conversion to new uses.

3. A Federally chartered development bank or strengthened "new town-in-town" program might be established to aid in financing and redevelopment.

4. A comprehensive study of state land use laws and incentives for facilitating land assembly should be carried out. The study should include two major elements:

- Incentives encouraging private land assembly such as tax incentivcs, zoning techniques and principles, direct loan programs, special procedures to quit titles, and safeguards against the abuse of incentives.
- Public land banking. Here, the study should concern itself with the definition, of "public purpose" financing mechanisms, less-than-fee acquisitions, the use of tax delinquency proceedings, and operating principles and safeguards. Major problems lie in the administration of a land banking program. Techniques of acquisition usually involve a number of agencies in both the city and county—the tax collector, the sheriff, the county attorney, the zoning administrator, and the renewal agency. All of these must be coordinated, perhaps through a special land banking agency or a development corporation with broader responsibilities.

Development and Redevelopment

Appropriate new uses of specific sites will, of course, vary from city to city. In some instances, new uses for the immediate future may not be ascertainable. In such cases, assembled sites might be held in interim uses such as parks. Every care should be exercised to avoid maintaining assembled tracts as empty space with no public use. This will only drive conditions down further in surrounding areas.

A wide range of tools can be made available under state legislation to assist in the development of new industrial, commercial, and residential development.

Efforts should be concentrated upon attracting newly developing sectors manufacturing based on newer technologies that still have expanding employment requirements. Such firms are of a size for which urban locations can still be competitive.

Where practicable, commercial projects should be emphasized that "export" services out of the city. This has the advantage of reinforcing the economic base of the city and will yield higher multipliers in "spin-off" employment than local-serving commercial projects.

The success of development and redevelopment will depend upon the up-grading of the city from simply serving as a workplace into a more diversified environment for residential use as well as work.

Residential projects that help diversify the mix of income groups and strengthen the tax base also deserve high priority. There are nascent trends among childless households to move closer to the central administrative district. While it will be necessary to guard against displacements of low-income residents as such trends accelerate, this development should be capitalized upon.

A fourth land conversion and reuse priority, therefore, is the development of recreational, cultural, and aesthetic amenities that resurrect a city's ability to compete as a place in which to live.

Averaging Private Investment with Public Funds and Incentives

Obviously, the physical and economic restructuring of these older urban areas will require major improvements in capital facilities and municipal services. Clearly, deterioration in the tax base prevents the use of large amounts of local public funds for these purposes, but with changes in Federal funding formulae, many older cities and suburbs will be receiving large amounts of counter-cyclical and urban development funds. These should be used to upgrade the facilities and services that will support and encourage private investment. Present evidence indicates that few cities are effectively using these funds for that purpose. Yet long-term solutions to the problems of transition depend upon doing so. Cooperative public-private planning in each urban area to make maximum effective use of this Federal assistance is vital. Urban Development Action Grants can further reinforce such efforts to use public dollars to leverage private investments.

Effective use of revenue bonds, mortgage guarantees and mortgage insurance, direct loans, and tax incentives will be essential in enabling private firms to locate in these central areas. Already, there is ample evidence that older, abandoned structures can be converted effectively to new uses. Several states already provide incentives to promote modernization of industrial and commercial facilities. These should be supplemented with similar incentives to facilitate conversion and rehabilitation.

Through the physical restructuring of areas suitable for economic development, urban areas in transition can take the first step toward attaining a viable new base of activity, though, quite possibly with a lesser population than in the past.

The second step is to restore the sense of community by strengthening the community's social fabric: its neighborhoods.

"If the neighborhoods of our cities die, then our cities go down the tubes as well because our cities are nothing but collections of neighborhoods."

Mr. Bernie Jones, Capitol Hill United Neighborhoods Citizens Forum, Denver, June 27, 1977

"If the city is to become a community," Lawrence Haworth observed in his book, *The Good City*, several years ago, "then the inhabitants must identify the settlement itself as the focal point of their lives." Yet, as the Nation's communities have grown from city into metropolis and metropolitan area, that sense of identity between citizen and community has been steadily eroded.

An urban economy is founded on the division of labor, each citizen performing specialized roles. As such, our urban areas have been the source of opportunity and diversity in our national life. But in offering these potentials, the metropolis has too often thereby lost its sense of community; its sense of common purpose. "We have only to reflect that the historical period during which duty and obligation have become de-emphasized in human settlements is also the period during which community in the settlement has dissolved," Haworth has commented.

Government and public policy have played a critical part in further weakening this sense of community. The centralization of public services removed government from daily contact with the life of individuals, families, and neighborhoods. Urban renewal and the construction of highways sometimes destroyed the social fabric that held whole areas of a city together. Programs, conceived in standardized molds out of touch with daily life in the community, undercut local morale and frequently produced results almost exactly the contrary to what was intended.

Much of the deterioration in urban areas today can be traced to a loss of the sense of community, of common interest, of citizens' faith in each other, and of pride. Where these ties that bind individuals and families together still exist, deterioration has been forestalled. Those ties are strongest within neighborhoods. Neighborhoods are the building blocks of the urban community. To the extent that they have lost the sense of shared interest and pride, our urban neighborhoods are declinging; to the extent they have kept or regained it, they are stable and vital.

"It is the neighborhood that permits a strong social fabric and the mediating institutions that de Tocqueville hailed as the social milieu within which American democracy thrives," Dr. Arthur Naparstek, a member of the President's Commission on Neighborhoods, wrote in a paper for the White House Conference on Balanced Growth and Economic Development.

"It is easy and fashionable to blame the urban plight entirely on the demographics, but there are multiple examples of communities where vital, well organized neighborhoods have flourished in the face of poverty, low education, and apparent physical blight. Well intentioned attempts to address merely the cold data—with bureaucratic income transfers, delivery of services' or razing apparently blighted buildings—often failed to understand the social structure of communities.... The bureaucratization of functions performed best at a local scale, saps a community's natural coping mechanism, defeats volunteerism, promotes alienation."

In addressing special attention to the problems of urban communities in transition, national urban policy must seek to achieve a deftness and sensitivity rarely present in Federal efforts in the past. In seeking help to restore the human fabric of urban life, it must recognize the diversity among neighborhoods, their needs, their aspirations. And it must come to rely upon the restoration of a sense of community to meet some of the most intractable problems of urban life.

Street Crime

In the early 1980s, it is quite probable that rates of street crime, school violence, will decline as the number of teen-agers in the population drops along with school enrollment.

Street crime in the cities is in part the result of joblessness, in part related to the breakdown of family life among welfare families, in part related to the disproportionately high number of youth in the war babies generation, in part the result of urban social breakdown and alientation, and in part the result of the disappearance of vital economic and social activity from neighborhood streets. As many urban critics have pointed out, structures and social patterns that create unwatched, vacant streets are an open invitation to crime.

More police cars and radios—even more stringent punitive measures in the criminal justice system—do not resolve the underlying disintegration in social and neighborhood life that sometimes manifests itself in crime and social alienation.

One promising long-term answer to crime in the city is to restore the sense of community and social and economic vitality in urban neighborhoods.

Coupled with long-term economic redevelopment, neighborhood-based programs involving city residents themselves provide one alternative to reduce street crime and violence in the schools. In all but those neighborhoods in the most advanced state of abandonment, there are parents and other adults determined to improve the public safety. In no sense an "underclass," they proudly aspire to improve life for their children and grandchildren.

Neighborhood street crime is not high in many older city neighborhoods, particularly ethnic areas and areas with a high level of civic pride. Street crime and vandalism are low where there is neighborhood pride, the social pressure of peers, and sense of common interest.

Stabilizing and Revitalizing Neighborhood Housing

As a study recently completed for the Department of Housing and Urban Development suggests, healthy neighborhoods have a confidence in their future that derives from stable demand on the part of new residents to fill normal vacancies at turnover. Sudden moves into the neighborhood by "newcomers" different in character from those already there—whether higher income professionals, communes, or welfare families—will trigger an exodus. If disinvestment sets in, demand weakens, neighborhood self-image drops, and more serious deterioration begins, leading all too often to housing abandonment. In numerous instances, Federal programs themselves have been responsible for destabilizing neighborhoods.

Now—in the face of increased demands for existing urban housing in some neighborhoods by middle- and upper-income groups, the desire of many long-standing urban neighborhoods to preserve their character, and the desire of low-income neighborhoods to find stability and curtail abandonment—national housing policy must become more adept in providing very different forms of aid to neighborhoods in different stages of improvement, stability or decline, and consisting of residents of widely varying means and needs.

There are examples in nearly every metropolitan area of neighborhoods in the advanced stages of deterioration and abandonment; of neighborhoods of every income level that are revitalizing; of neighborhoods that are "gentrifying" through an influx of upper-income households; and of long-standing neighborhoods that are stable, close-knit and proud.

Each category requires different assistance, different approaches. In some, housing is in good condition, in others modest repairs are required; others require code enforcement; in others, rehabilitation is essential; and in others, deterioration and abandonment are so far advanced that demolition may present the wisest course, with the land converted to new housing or other uses.

The precise mix of policies and programs required to deal with these differing situations must be determined at the neighborhood level and be supported by sensitive program administration at the city, state, and Federal levels. States and cities across the Nation are now developing such programs.

One approach involving all levels of government, citizens and the private sector is exemplified by the Neighborhood Housing Services Program of the Federal Home Loan Bank Board, the Housing Reinvestment Task Force, and the Department of Housing and Urban Development. The program brings all the parties involved together in a common partnership:

- the neighborhood residents who want to improve the area;
- the local government willing to provide needed public services and improvements; and
- a group of financial institutions that agree to reinvest in the neighborhood by making market-rate loans available to qualified individuals or making tax-deductible contributions to the program to support its operating costs.

Such partnerships, locally based, but with the resources of government at every level at their disposal, offer a promising model for helping to facilitate rediscovery of the sense of community in urban neighborhoods.

Supporting Neighborhood Organization

To advance toward more widespread neighborhood renewal and preservation, it is important that community organizations, formed to strengthen the ties of shared interest, improve social conditions, and upgrade housing be encouraged and supported at every level of government. Community Development Corporations, neighborhood advocacy groups, neighborhood housing improvement organizations all have a key role to play in rediscovering the sense of community in our urban areas.

"Interdependence was affirmed when it was immediately and continuously recognized that this Nation cannot cut itself off from its older urban and agricultural communities as though the human and physical capital they represent had no use or potential worth their reckoning."

Dean Paul Ylvisacker, Harvard
College of Education
Summarizing some deliberations at the
White House Conference on Balanced National
Growth and Economic Development
February 2, 1978

It is inevitable that, as population and the economic base in older cities and suburbs decline and costs of public services go up, urban communities in transition experience severe fiscal distress. That distress jeopardizes the long-term recovery effort they now must undertake. It is imperative that such jurisdictions receive sufficient outside aid during the period of their economic transition to enable them to cope effectively with the challenges of long-term economic and community redevelopment. If left to their own resources, they are compelled to resort to expedients in order to get from one budget year to the next; and, retrenchment in some expenditures actually impede their efforts to reverse economic decline.

Because of accelerated fiscal decline in many of the Nation's older cities, it has been necessary to the Federal government to drastically increase the flow of grants-in-aid to these jurisdictions until, in some cities, total Federal funds received in fiscal year 1978 will equal more than 50 percent of the amount they receive from their own local revenues.

These cities, like all municipalities, are creatures of the states, but they are in danger of becoming wards of the Federal government. Such a development would contravene many of the most fundamental principles underlying our Federal systems.

It is clear that long-term resolution of the fiscal problems of these jurisdictions rests in part upon the shoulders of the states: they face the urgent necessity, during the coming decade, of modernizing local government in urban areas, streamlining its responsibilities, reassigning functions among jurisdictions, and altering the financial base for local government.

Measures of Distress

The Joint Economic Committee has recently compiled the best available data describing the financial condition of large central cities. These data show that the real unencumbered budget surpluses of 60 of the largest cities in the Nation declined by 23 percent between 1976 and 1977. Moreover, fiscal deterioration was most rapid in the most distressed of these large cities, i.e., those experiencing declining populations and suffering from high unemployment rates. These cities suffered a reduction in their budget surpluses of 32 percent. Increasingly, many distressed cities have chosen to cut back their investment in their capital infrastructure. In just one year, 1976 to 1977, nine large and severely distressed cities cut back their capital spending by 17.2 percent. These reductions further erode their ability to both attract new private investment and retain what they have.

In the 85 largest metropolitan areas, personal incomes grew almost twice as rapidly in suburbs as in cities between 1960 and 1973. The property tax base of the cities grew more slowly than did the income of their residents.

Annual Rates of Change In Fiscal Capacity Indicators 1960-1973 (unweighted average)

		Total Income		
	Assessed Valuation Central City	Central City	Outside Central City	Ratio of Central City to Outside Central City
East	1.9%	4.08%	7.35%	.56
Midwest	2.74	3.45	8.16	.42
South	4.98	5.89	10.67	.55
West	5.4	5.81	9.53	.61

Source: Advisory Commission on Intergovernmental Relations, ***Trends in Metropolitan America*** (Washington, D.C., A.C.I.R., February 1977).

Fiscal imbalance exists between most cities and their suburban neighbor. Significantly, in all regions, except the South, per capita nonschool taxes and expenditures of central-city governments rose much faster than per capita nonschool expenditures and expenditures of suburban governments. The decline in the economic base of cities (as measured by assessed valuations) has proceeded simultaneously with an increase in suburban economic well-being (as measured by per capita income). And the gap is widening between city and suburb. For the 85 largest cities, the growth rate in assessed value for cities has been substantially below the growth rate in regional income.

Increasing Costs

The older urban areas confront an extremely difficult dilemma: their costs are going up even though their public payrolls grow more slowly than elsewhere. And without adequate private sector expansion, they are rapidly running out of ways to meet these costs. Yet the declining cities also tend to be high cost

cities. One Urban Institute study compared costs among seven large growing cities and 14 large declining cities plus New York and found substantial discrepancies between them in terms of municipal expenditures per capita, municipal employees per 1,000 residents, and the average monthly wage of municipal workers.

Municipal Expenditures in Selected Cities

	7 Large Growing Cities	14 Large Declining Cities	New York
Expenditures per capita	$152	$264	$ 396
Employees per 1,000 residents	8.7	13.0	13.0
Average monthly wage	$812	$958	$1,115

The President's Urban and Regional Policy Group has pointed out that there was little or no real income growth in most cities during the early 1970s, although dollar incomes did rise with inflation. In many of the older cities, especially those with high unemployment, wages and salaries from private jobs accounted for only slightly more than one third of the net growth in per capita income. Growth in government payments exceeded growth in private sector wages. In effect, large segments of the population of the older large cities have become dependent on government assistance.

Local governments have reacted to recent economic uncertainties in many ways. Most have depleted any surplus they had. Many cut back on services or tried to increase taxes. The most troubled cities needed to undertake the most significant budget manipulations.

The Joint Economic Committee has reported:

"In 1975. . .122 of the 140 governments surveyed entered the fiscal year with a combined surplus of $340 million, slightly more than 1 percent of their total budgets. This surplus has been totally depleted and is expected to be a deficit of $40 million by the end of the fiscal year. Consequently, many local governments, without surpluses will be forced to reduce services or to increase taxes in order to maintain a balanced budget. Local governments will enact an estimated $1.5 billion in new taxes and will reduce expenditures by approximately $1.4 billion. The $2.9 billion in deflationary budget adjustments is approximately 3.5 percent of the combined budget for all local governments.

"Once again, the high unemployment governments are responsible for the vast majority of budget adjustments. Forty-seven percent of the high unemployment local governments that were surveyed will enact tax increases amounting to 3.5 percent of their combined budget. Sixty-one percent of the high unemployment jurisdictions will reduce current services by an amount equal to 3.6 percent of the combined budget for high unemployment jurisdictions. Thus, the high unemployment local governments will make budget adjustments equal to 7.1 percent of their budgets."

Nearly all of these older cities are "land-locked," that is, surrounded by other incorporated municipalities. They cannot solve their economic and financial problems through territorial annexation as in the case of newer growing urban areas elsewhere. The mature cities face a losing battle, with expenses responding more to inflation than do revenues.

Perversely, among cities studied by the Urban Institute for the 1967-72 period, "growing cities managed to cut their effective tax rates by more than 25 percent . . . while the declining cities were obliged to raise their rates by nearly 25 percent." Between 1967 and 1973, large declining cities increased per capita revenues by 113 percent (compared to growing cities' 95 percent) despite slower increases in per capita income and wealth.

More distressed cities are choosing to cut back investments in streets, sewers, and other service facilities. Cutbacks in services and capital investment, severe as they are, would be far worse without recent Federal funds and initiatives to provide jobs in both the public and private sectors.

Federal Assistance

The Federal government is providing and should continue to provide external aid to these cities in transition in order to enable them to cope with the long-term community and economic redevelopment task that now confronts them.

Between January 1977 and September 1978, the Federal government will disburse $15.8 billion to state and local governments in the form of emergency aid. Three programs are involved: CETA Titles II and VI, supporting public service jobs; grants for local public works projects that would not otherwise have been undertaken; and countercyclical revenue sharing. Of the $15.8 billion disbursed under these programs, $3.2 billion will go to the 48 largest cities in the Nation, where the funds will make up 21 percent of Federal aid and 2.3 percent of total local government revenues.

Continuation of present countercyclical assistance will provide substantial fiscal relief as it has during the past several years. Modifications in allocations for such programs and Community Development Block Grants and revenue-sharing have also notably increased Federal aid. For the future such assistance might be predicated in part on the proportion of poor residents in a jurisdiction who cannot contribute through taxes to the local cost of essential services.

State Action

Federal assistance can and should only be a waystation, however, to a more permanent solution. The ultimate objective must be to enable any jurisdiction to be reasonably self-sufficient in its ability to finance local services.

Two forms of action are appropriate for the states: (1) to provide direct assistance to distressed jurisdictions; and (2) to revise the financial fiscal base of local governments.

No single set of approaches will be appropriate for all states, but there is a national interest in effective state efforts to resolve these problems and the Federal government should encourage such efforts.

States can and have assumed functional responsibility for some local services. Statewide revenue-sharing is another course being adopted in several areas of the country. State categorical assistance for specific services and facilities is still another.

Metropolitan tax-base sharing is an option under discussion in several states. As employed in the Minneapolis-St. Paul metropolitan area, a portion of the increase in nonresidential property tax is shared by local governments within the metropolitan area. This serves to both narrow disparities among jurisdictions in the metropolitan area and diminish cut-throat competition among jurisdictions for new industry.

State review of property taxes is a second alternative, particularly with an eye to shifting emphasis toward site-value taxation. State authorizations for comprehensive income taxation at the municipal level, strategic pricing of utilities, and expenditure controls are other courses states can take to help urban jurisdictions in distress cope with their transitional difficulties.

In the final analysis, however, states are likely to find that the most effective alternatives are to modernize the structure of urban government itself.

"There was very broad agreement that the Federal system should recognize state differences and a strong commitment to the idea that a major responsibility for developing more effective and efficient governmental structures rests with state governments. They cannot escape responsibility for adapting sub-state government to the jurisdictional problems that are moving beyond the boundaries of local governments. Only the states can resolve the servicing, fiscal, and jurisdictional quandry facing local government in America and the Federal government must recognize this paramount legal and political fact."

Dr. James A. Norton, Chancellor,
Ohio Board of Regents
Summarizing some of the deliberations
at the White House Conference on
Balanced National Growth and Economic Development
February 2, 1978

Over the coming decade, the restructuring of local government responsibilities, financing, and boundaries in urban areas experiencing economic transition will be one of the most controversial and politically difficult tasks facing state governments. While the Federal government can provide support and encouragement, only the states have the powers within our Federal system to modify local governments to meet the new economic and social realities that have emerged as our urban areas have decentralized.

Though local governments are creatures of the states, state governments have avoided, except in a number of very important instances, the task of readjusting the finance, responsibilities, and boundaries of local government to meet changing service and development needs and make alterations in the tax base of many urban areas. If such reforms were merely a matter of achieving greater efficiency in the delivery of public services, the continued fragmentation of local government services and responsibilities in urban areas would not be gravely serious, but it is increasingly clear that the "balkanization" of local government resources and responsibilities in metropolitan areas is an important contributor to the deterioration and decline of central cities and older suburbs.

The Problems of Boundaries

As one Urban Institute expert put it in a 1977 Congressional hearing:

"Adherence to out-of-date central city boundaries has done more than capriciously allocate urban resources

between the central city and the rest of the metropolitan area in response to the decentralization of private markets. Once in place, the boundaries provide a further incentive to outmigration from the central cities."

The President's Urban and Regional Policy Group found that the allocation of responsibilities between state and local governments, together with the boundaries of local governments themselves, contribute significantly to the fiscal problems of urban communities in transition. City boundaries reflect historical and political accidents and not current responsibilities and problems. More than 22,000 local governments exist in our standard metropolitan statistical areas, an average of 84 per metropolitan area. And, on the average, nearly 200 separate governments exist in the larger metropolitan areas, those with more than 500,000 in population.

Fragmentation has impeded area-wide cooperation, and fomented inter-jurisdictional competition for the tax base. Reliance on the property tax fosters competition for new development.

In younger urban areas, especially the South and West, where the central city is not yet entirely surrounded by incorporated municipalities, fiscal strain has been muted by additions through annexations of new territory where new tax base is still developing, thus "capturing" the suburbanization process.

Growth in Assessed Value as Percent of Growth in Regional Personal Income—Cities Over 150,000

Region	1960-1970 Mean	1960-1975 Mean
Northwest	58.4	43.6
Midwest	67.6	49.3
South	72.1	60.0
West	86.3	77.3

Table prepared from data prepared by Dr. Seymour Sacks of Syracuse University. It relates tax base growth in cities to income growth in surrounding areas. In all regions tax base growth in cities has been slower than income growth in non-central city areas. Observed standard deviations suggest significant variations by city exist in the West, Midwest and South.

But annexation is not an option for many older central or suburban cities. In consequence, as the Joint Economic Committee observed in its report on distressed cities:

"The old city boundaries have been left to encase aging and underutilized capital stock, whose value is falling in real terms, as well as declining populations that contain a large (and growing) share of economic dependents for whom public service provision is unusually expensive."

The Advisory Commission on Intergovernmental Relations has remarked on this same matter that:

"It has not been long since cities possessed a large measure of social and economic unity. The overall community did encompass within its boundaries virtually all the area's residential, commercial and industrial development. The city's 'deficit areas'—the low-income residential areas—were offset by the 'surplus area' within the city's boundary—the high tax producing districts associated with the central business area, the industrial section, and the high-income residential neighborhoods. These balanced municipalities were able to keep the public peace by moderating the competing demands of the various classes that comprised the urban body politic.

"But those days are pretty well gone. In many of our metropolitan areas the twin forces of urban expansion and social segregation have combined to upset the old balance and to alter profoundly the social and political character of the typical urban municipality. Now communities are more apt to be lopsided, with the central or core cities often becoming blacker and poorer when compared to the burgeoning economy of the sprawling and subdivided suburbs, which often have become wealthy estate and industrial enclaves or predominantly white middle-class bedroom communities. The political leadership of the earlier balanced community was under constant pressure to conciliate the conflicting demands of the various groups within it; in contrast, the political leaders of the new metropolitan communities are virtually forced by the interests of their narrow constituencies to sharpen and reinforce the differences that made up each community in the area."

Fiscal Disparities

The most fundamental consequence of fragmented governmental structure in most metropolitan areas is a mismatch between needs and fiscal resources. A balkanized urban tax base, combined with forced reliance of many local governments on the local property tax, has left some local governments with rising service costs and deteriorating revenues. Clearly, larger and older central cities in the Northeast and Midwest face the most severe hardships. Most have long been "land-locked" by surrounding incorporated

Growth in Assessed Valuation in Central Cities: 1960-1973

Northeast	1.96%
North Central	2.74%
South	4.98%
West	5.40%

Source: Seymour Sacks

municipalities. Their assessed valuation has grown very slowly since 1960, far more slowly than cities in the South and West. Many, particularly those facing high unemployment, poverty and population decline, have been forced to raise taxes or cut services, or both.

The high unemployment cities with decreasing populations exhibit the most acute symptoms of need. The Joint Economic Committee points out:

"These cities have increased total service expenditures by three percent: in real terms, this represents a three percent decrease in their aggregate service budgets. They have simultaneously reduced their aggregate capital budgets by 13 percent, and require 60 percent of the total amount projected for capital needs. They have, in addition, reduced their public employment by 0.5 percent. The tax rate increases in the high unemployment/population decreases cities accounted for 73 percent of the total revenue generated from tax rate increases. They have also experienced the largest aggregate reduction in their unencumbered surplus; a reduction of 32 percent from fiscal year 1976-77 and also the largest total deficit—$682.2 million including New York City."

Steps taken by central cities to reduce fiscal strain have at times made things worse. Higher taxes and lower quality encourage additional movement away from the city, further eroding the tax base.

Fragmentation and Loss of Accountability

Decisions about which government will provide and pay for which services in metropolitan areas have been made incrementally over the years producing autonomously administered services frequently fragmented and conflicting. While some services are best delivered at a small scale, others are inefficient below a certain size threshold and are best delivered regionally. Variations in the provision of services within a metropolitan area often have important locational implications that can create problems for adjacent jurisdictions or other services within the same jurisdiction.

The fragmentation of services has also tended to reduce the ability of elected general governments to control and coordinate services within their boundaries. Beyond state-authorized school and utility districts, there is a plethora of special purpose organizations created as a result of Federal requirements under various programs. Many of these bodies link specialized administrators in local, state, and Federal agencies but bypass elected local and state officials who are ultimately accountable for the overall results of these programs.

State Modernization of Local Urban Governments

Clearly, if states are to moderize the boundaries, powers, and financing of local governments in urban areas, Federal policies and programs that contravene such efforts will have to be substantially altered. In the near-term, Federal fiscal aid to distressed communities is essential in order to enable such municipalities to turn their attention to long-term development and attainment of ultimate fiscal self-sufficiency. The amount of Federal assistance to such cities has increased dramatically during the 1970s. According to estimates of the Advisory Commission on Intergovernmental Relations, Federal aid to a sample of 15 large cities accounted for just over an average of five percent of their own source of general revenues in 1967. By 1976, direct Federal aid accounted for an average of more than 28 percent of own source general revenue in these same cities. By 1978, direct Federal aid is expected to account for more than 45 percent of own source general revenues in these 15 cities. Similar rates of increase have occurred for smaller communities as well.

But Federal assistance is not a long-term solution to the fiscal problems of urban areas in transition. The structure and finance of local government must be modified to reflect the metropolitan realities that have now emerged.

Per Capita Educational and Non-educational Expenditures by Region for the 37 Largest SMSAs, 1970

	Total Expenditures			Educational Expenditure			Non-educational Expenditure		
Region	Inside Central Cities	Outside Central Cities	Ratio of CC/OCC	Inside Central Cities	Outside Central Cities	Ratio of CC/OCC	Inside Central Cities	Outside Central Cities	Ratio of CC/OCC
Northeast	$613	$419	146%	$186	$226	82%	$427	$193	206%
Midwest	498	360	138	182	204	89	316	156	203
South	395	307	129	170	179	95	225	128	170
West	575	460	125	195	233	84	380	227	167
U.S. Average	524	385	136%	183	211	87%	341	174	196%

Source: Advisory Commision on Intergovernmental Relations, *City Financial Emergencies*

Approaches that can be taken by states to modernize local government in metropolitan areas in transition are many and will inevitably vary from state to state and area to area. They might include such measures as:

- modernization of county governments to assume responsibilities hitherto discharged by municipalities;
- consolidation of city and county governments in some smaller metropolitan areas;
- establishment of multipurpose regional service corporations;
- conversion of metropolitan councils of governments into councils with direct planning and decision-making responsibilities comparable to those of Minnesota's Twin Cities Metropolitan Council;
- use of boundary commissions to revise local government boundaries or establish "development zones" for the provision of future major urban services, including utility systems.

Only the states have the powers to authorize and implement such reforms. In undertaking them, however, the states will require the close cooperation, partnership, and support of the Federal government.

With such a partnership lies one of the best long-term answers to the problems of urban areas in transition. Already, several states have embarked upon the development of comprehensive urban strategies aimed at these very objectives.

"Working together we can revitalize our Nation's cities and insure their proper role as the centers of culture, business, communications, and recreation that they have been throughout our Nation's history."

Phyllis Lamphere, Seattle City Councilwoman, Citizens Forum, Seattle, June 21, 1977

In many older cities park and recreation systems have suffered from protracted disinvestment; some have less money for recreation now than they did five years ago. Operation and maintenance of existing facilities is a pressing problem for all cities studied. Declining urban centers of older cities spend more than 95 percent of their recreation budgets on operations, with little to spare for repairs on renewal, much less expansion. In the larger, older cities recreation facilities are deteriorated and out of date, and the oldest and most dense cities tend to have the least park and recreation land. Crime and vandalism also plague recreation programs in nearly every city.

Not surprisingly, the worst deficiencies are in the inner cores of the Nation's largest cities. Core-city neighborhoods have lost more recreational facilities, or have had access blocked by physical barriers (such as highways) than other neighborhoods. Access to recreation is a general problem for the urban poor. Over 90 percent of trips to national parks, regional parks, and other significant recreational areas are made in private vehicles, yet 40 percent of all central-city households are without automobiles. Less than 10 percent of the cities sampled in the recent National Urban Recreation Study have adequate public transportation to nearby regional park and recreational areas.

In a number of cities abandoned, underused, or decaying areas have the potential to be reshaped for public recreation. Schools, for example, could be more effectively used for indoor recreation.

Adequate and varied recreation opportunities for urban residents depend on effective use of the open spaces that now exist in and near cities. These remaining open spaces serve critical environmental, cultural, aesthetic, and, in many cases, agricultural or other economic purposes in addition to their potential for recreation.

The traditional and simplest way to conserve such resources is for governments to buy them, and some growing suburban and exurban areas are still acquiring park and recreation land. But in central cities,

where fiscal strains are greatest, acquisition has virtually stopped. In fact, throughout the country it is increasingly evident that skyrocketing land costs and finite funding sources make it impossible to provide public needs for open space through acquisition alone. Other legal techniques can be used to preserve open space while keeping properties on the public tax rolls, thus requiring expensive land purchases only where important recreation, ecological or cultural values cannot otherwise be obtained.

Open space in and around cities that are most amenable to protection by techniques other than acquisition include waterfronts, or underused or abandoned blocks in cities, where recreational and commercial use can be combined; wooded or open areas on the fringes, where recreation can coexist with watershed protection, and scenic or agricultural values. Imaginative use of a number of easement purchases, lease backs and other, but often underused, legal preservation techniques can contribute greatly to urban recreation at reasonable cost.

High property taxes contribute to the loss of urban fringe open space to development. Differential assessment schemes reduce property taxes on undeveloped land by basing assessments on current (usually agricultural) use rather than on market value. Various differential tax measures have been authorized by 44 states to help protect farmland, by 21 states for forestlands and by 15 to protect open space and environmental areas. Nevertheless open space preservation requires support by other legal devices as well. Deferred tax penalties often simply postponed rather than rule out changes in the use of land, and in any event, county participation in differential assessment has been low in urban fringes where its use is most needed.

A variety of techniques for purchases of less than all property ownership rights have been used primarily to protect farmland or scenic beauty in rural areas. There "less than fee" techniques also offer considerable benefit to cities, because they can protect open space at the urban fringe. These include agricultural zoning, purchase of the landowner's development rights, and purchase of scenic easements.

Some of these devices are especially applicable to cities themselves. Requirements that new developers dedicate a certain portion of the projects to public use can be imaginatively combined with other land use controls to create new open spaces and recreation opportunities within our older cities. Commercial waterfronts long neglected in such cities as Boston, Milwaukee and others offer economic and environmental opportunities that are attracting new attention. So do other neglected urban areas. In New Jersey the regional Hackensack Meadowlands Commission was authorized by the state to direct comprehensive development on the 20,000 acre New Jersey Meadowlands (just north of Newark) which was long an abandoned, polluted, but potentially valuable open space, residential and commercial area. The new intermunicipal commission can prepare plans, issue bonds, acquire and condemn land and enforce codes and permits. The use of easements, zoning, and environmental regulations, and the dedication by developers of 595 acres of parks and 850 acres of wetlands, is designed to create and protect a new urban recreation resource.

"Villages don't want to be suburbs, suburbs don't want to be cities, cities don't want to be wastelands."

Governor Michael Dukakis, of Massachusetts City and Town Centers: *A Program for Growth*, 1977

There are aspects of growth and development over which states and urban communities have some degree of direct influence and others that they can affect only slightly or not at all. Obviously, Federal policy plays an important role in the development of every community, state and region. But powers and responsibilities are divided within our Federal system. Only through a partnership that recognizes the separate capabilities of each level of government and the relationship between private decisions and public action can the Nation, the states, or communities implement urban policies that will effectively attain their objectives.

A state can influence its overall prosperity to only a limited degree. The states are open economies in a national system. Any fiscal actions they might take are not self-contained. Nor is the ebb and flow of investment capital profoundly amenable to state influence in the short run. Fiscal and monetary policies that affect the rate of overall economic growth in the nation can only be applied at the national level.

However, the Federal government lacks requisite powers to significantly affect the location and distribution of population and economic activity within a state or community. These decisions are subject to state and local land use policies, the location of state and local public investments, local government functions and structures authorized by the state legislature, and state and local taxes.

Until recently, the powers of the states to consciously shape their patterns of urban development were used only passively. State emphasis was upon development outside the urban areas.

Beginning in the 1960s, however, a growing number of states have initiated attempts to intervene in their patterns of urban development by using the full range of powers available to them in order to meet environmental, social, and economic objectives.

States' powers to accomplish such purposes are considerable:

- Local government is a creature of the state. A state may strengthen or modify local powers to deal with the problems of growth and development.
- The state establishes its own taxing powers and those of its constituent jurisdictions. Tax policy can be used as a powerful incentive or disincentive to achieve a state's growth and development objectives.
- The state has jurisdiction over the use of land within its boundaries; it may delegate to or remove (although politically difficult) from local jurisdictions any powers over land use deemed appropriate by the people and legislature of the state.
- The state has the power to regulate and establish standards over a wide array of activities including the use of the environment.
- The state can affect urban patterns by investment or lack of investment in infrastructure and by the way it apportions its funds for infrastructure and services among different areas of the state.
- The state is an administration and investor. Through its own direct planning and capital investment actions in health, education, transportation, welfare, housing, public works, and a host of other fields it may take an active hand in the shaping of growth and development patterns within its boundaries.
- The state can be a landowner and through direct acquisition, or through more indirect devices, forestall development in certain fragile, scenic, historic, or otherwise publicly important areas.
- The state is an adjudicator and through its courts, regulatory commissions, review boards and other bodies can mediate and shape the patterns of its growth and development.
- The state can affect the form and character of metropolitan governance and development through state legislation: it can facilitate annexation by municipalities of peripheral areas as in the South, or it can make it difficult or almost impossible as in the Northeast and North Central; by acts of omission or commission state legislation can affect the powers of metropolitan governance and the quality of metropolitan cooperation.

A growing number of states are now bringing some or combinations of these powers into play in attempts to discourage urban development in some areas, encourage it in others. Over 35 states and several dozen cities or metropolitan areas have undertaken broadly based citizen efforts to assess the directions of future growth and development and to propose—and implement—state and local interventions in urban development in order to meet environmental, social, or economic objectives. These interventions range across the full spectrum of state powers: controls over the uses of land, new regulatory and review procedures concerning major development projects, alterations in the structure and finance of local government, and the construction of major state facilities. State interventions have evolved since 1960 from environmental concerns over the impacts of land use to newly emerging state commitments to the development of

comprehensive urban policies. Forty-two states provide preferential tax relief for agricultural land and open space, 34 states are involved in coastal zone management, 13 have special legislation protection critical environmental areas, and five require permits for developments having regional impacts.

State Land Use Legislation

Americans have long associated progress with growth. Nationally our manifest destiny was to develop the continent; locally, conventional wisdom traditionally suggested bigger was better and more was essential.

This historical perception of growth came into question during the late 1960s and early 1970s. Fred Bosselman and David Callies in ***The Quiet Revolution in Land Use Control*** called attention to an important upsurge in state concerns with land use objectives and the quality of life in the late 1960s and early 1970s. They cited initiatives by more than a dozen state governments to reclaim land use control powers historically delegated almost completely to local governments.

Similarly the Rockefeller Task Force report, "The Use of Land," examined the fears, apprehensions, and even the outright hostilities found in many sections of the country toward growth.

There does appear to be an important new attitude toward land use and its control evolving in the United States. The intensity of the new attitude may be uneven, and certainly it varies within and among states and regions. At the same time, since 1970 hardly a portion of the Nation has escaped entirely the impact of these new attitudes toward land use control.

Over 15 states have acted more or less comprehensively in adopting new land use legislation. Almost all states have taken some steps to address locally perceived problems of land use and growth management that directly affect urban development within the state.

The emergence of the states as major intervenors in land-use management can be traced to actions of the State of Hawaii in 1961. Faced with the rapid loss of agricultural land and the uncontrolled growth of urban areas, Hawaii developed a land-use scheme for all land in the State. Land was placed into a number of classifications including urban, conservation, preservation and agricultural. Implementation of the needed rules and regulations was left either directly in the hands of the state, or in the case of urban lands, in the hands of counties. The initiative taken by Hawaii was quickly followed by efforts in a number of other states.

Vermont undertook an effort through state and regional commissions to control almost all development in that State. It reacted to an upsurge of urban development in the southern part of the State, which appeared to threaten both the environmental values and "quality of life" goals cherished by many residents.

Florida, with one of the Nation's highest rates of population immigration, reacted to threatened wholesale environmental degradations of coastal areas, wetlands, and other fragile natural systems by reversing its historical enthusiasm for growth and adopting broad-ranging new controls over certain kinds of development in certain areas of land, in part to protect future water supplies and public health.

Oregon undertook major new land use legislation. Similar concerns in Colorado produced less sweeping, but still important actions. Other states such as Maine, Massachusetts, Minnesota and North Carolina—to name only major examples—have taken land use initiatives of one kind or another in the last few years.

Much of this re-assumption from local governments by states of some land use management powers has resulted from concern over the "more-than-local" impact of many local governments' land use decisions. Such matters as the overloading of waste-treatment plants in many states have produced state and Federal construction moratoria in certain areas until wastewater treatment facilities could be upgraded.

Some local governments, by no means a majority, but numerous enough to be significant, have responded with new efforts to control, limit, manage and otherwise have a greater influence over their growth. The definition of the term "environmental quality" has been broadened, to include more than the protection of natural systems. The "quality of life" considerations that have at times been confined to physical environmental issues are increasingly discussed in terms of restoring or preserving a more attractive living environment for all urban areas, not just on the developing fringe, but in center-city neighborhoods where revitalization, rehabilitation, and urban conservation efforts are accelerating.

While land use issues have remained persistently high on the domestic public agenda over the past 12 years, the focus of attention has shifted with the changing emphasis of public concerns.

While many earlier Federal, state, and local initiatives were born out of environmental considerations, a stronger focus in the last several years has been on issues of social equity. And there has been a discernible shift toward greater preoccupation with land use controls as they affect the development and structure of metropolitan regions and urban neighborhoods in comparison to earlier emphasis upon the preservation of unique ecological areas.

State Urban Policies: A Second Quiet Revolution

These changing state and local attitudes herald a second "quiet revolution" in the approach of state toward development. Minnesota has the forefront in practical application of the full range of state powers to guide or control urban development and redevelopment: the Metropolitan Council of Minneapolis-St. Paul, created by the Minnesota legislature in 1967 and refined since then, is still without rival as an example of state leadership with respect to governing metropolitan-wide regions. However, a trend is now underway in a number of states to define their own comprehensive urban policies that draw upon the full range of state powers for implementation. Moreover, several states have recently adopted or are implementing urban strategies.

Massachusetts Urban Policy Massachusetts has been one of the first states to formulate, through a broadly-based citizen effort, a state urban policy set forth in a State document entitled ***City and Town Centers: A Program for Growth.***

The basic elements of the Massachusetts policy have been outlined by Governor Dukakis:

- A special Development Cabinet has been established in the state government consisting of the Lieutenant Governor; the Secretaries of Economic Affairs, Environmental Affairs, Transportation, Communities and Development, and Consumer Affairs; and the Director of State Planning. The purpose of this reorganization was to achieve greater coherence in state decisions on urban development.
- Two strategy documents were prepared to provide overall guidance for all State development decisions: ***Towards a Growth Policy*** and ***An Economic Development Program for Massachusetts.*** Both contain specific recommendations about how to combine the full resources of State government to provide better services to cities and to improve economic development.
- Thirdly, a specific set of actions were undertaken to redirect more investment back toward urban areas already developed:

School Building Assistance The State's program of school building assistance has been substantially redirected to facilitate the rehabilitation of existing buildings and to encourage the in-town location of school facilities.

Open Space and Recreation Investments Priorities for the allocation of recreation grants have been revised to give greater support to projects which can trigger private investments in urban areas.

Public Housing A recent bond issue for elderly housing will give priority to projects in urban locations and adaptive re-use of existing buildings.

Transportation Investments In the allocation of State and Federal transportation investments, increased emphasis has been placed on expediting those projects which serve already developed areas. Special attention has been given to mass transit projects. In addition, the use of transportation funds to upgrade and beautify city centers with trees, lighting, brick sidewalks, parking garages, and pedestrian amenities has received a strong commitment.

Sewerage Facilities Project eligibility criteria have been broadened to include collection systems and combined sewer separation projects. The State has also taken steps to expedite urban waste-water projects and to discourage costly structural systems on the fringes of urban areas and major interceptor sewers that run through undeveloped land. The State sought and received Federal approval for communities to use Community Development Block Grants for local matching of Federal water quality control grants.

State Offices and Facilities All state agencies contemplating an expansion or a relocation to fill space needs must do so in existing buildings in city centers.

State Building Code Since most of the construction activity in the State's major cities now involves rehabilitation and adaptive re-use of existing buildings, a major revision to the State's uniform building code has been prepared which will facilitate the review and approval of building permits for existing buildings.

Michigan Urban Policy Michigan's Governor William Milliken formed an Urban Action Group to formulate an urban policy for that state. The report, entitled ***Cities in Transition***, sets forth a series of 35 recommendations for State action to achieve a number of policy objectives which include:

- Expand Economic Opportunities in Urban Areas. Recognizing the changing economic role of cities, the State will aid urban areas in attracting new enterprise for which urban locations will be most suitable in the future and combine this with affirmative training programs tailored to filling the new jobs with those who live in the city.

- Foster a Sense of Community in Urban Neighborhoods. Recognizing that neighborhoods are the basic social fabric of urban communities the State, in cooperation with municipal officials, will attempt to strengthen local community organizations, improve responsiveness of local government programs to neighborhood needs, and promote neighborhood conservation and rehabilitation.
- Expand Urban Housing Choices. The State will emphasize rehabilitation and maintenance of existing housing stock and ensure the availability of financing for home improvement and construction in urban neighborhoods.
- Assure the Security of Urban Residents and Their Property. The State will promote neighborhood efforts to reduce crime and to more effectively use police at the neighborhood level.
- Strengthen Urban Governments. The strategy calls for improved cooperation among local governments in a metropolitan area, more equitable distribution of metropolitan tax burdens between cities and suburbs, improved delivery of public services, and coordination of State and local policies. As in the case of Massachusetts, a Development Cabinet is proposed.
- Use Existing Resources More Efficiently. The State will redirect its actions to avoid subsidizing and encouraging high-cost, low-density development which consumes scarce agricultural and recreational lands.

All of these urban policy initiatives are in addition to existing State efforts to assist communities such as unrestricted revenue sharing, a property tax circuit breaker process, direct fiscal relief, a proposed tax base sharing scheme for Southeastern Michigan, State payments for municipal services to State facilities and a State funded urban grant program.

California Urban Policy Both Massachusetts and Michigan are states having older industrial cities where existing urban investment is being underutilized while new development has been occurring in outlying areas. Unlike those two states, California is still the recipient of substantial inmigration. Environmental concerns are strong there. But the State contains a mix of cities suffering from problems of abandonment and population losses while others experience the pressures of rapid growth. Its recently adopted and funded comprehensive urban strategy, ***Urban Development Strategy for California***, prepared by a special interagency task force of State officials and an advisory committee of private citizens and local officials, has objectives similar to those in Massachusetts and Michigan are proposed; among them:

- California shall encourage the conservation and rehabilitation of neighborhoods in existing cities and suburbs.
- Government agencies responsible for the operation and construction of public facilities shall develop schedules for funding the maintenance, rehabilitation, or replacement of these facilities.
- State capital outlay programs shall encourage urban development within and contiguous to existing urban areas.
- Local planning shall direct new urban development to areas within and contiguous to existing urban areas and shall promote the conservation and rehabilitation of existing urban development.
- City-county decisions shall guide new development to areas within and contiguous to existing urban areas.
- California shall develop a mechanism to accommodate needed urban development while protecting air and water quality.
- State action and financial assistance shall encourage the location of necessary and appropriate industrial and commercial development within and contiguous to existing urban areas.
- To the extent possible, all appropriate Federal programs shall be directed toward supporting and strengthening existing urban areas.

The Massachusetts, Michigan, and California approaches are representative of comprehensive urban policies under consideration in a number of other states as well, such as New Jersey, Pennsylvania and Connecticut.

State Responses to City Problems

While a majority of states have yet to undertake a new and comprehensive concern over urban development, a large number have adopted policies incrementally that are intended to help distressed central cities. This trend represents a significant departure from past state policies when, as one report prepared for the Council of State Planning Agencies puts it, most state policies were designed to "help the hinterland." Those past policies included such decisions as locating state universities and major state facilities away from the main centers of population, school-aid formulas that favored non-urban areas; concentrating on intrastate and farm-to-market transportation investments; and state financing of services in rural areas that are funded locally in cities and suburbs.

Now states are shifting this emphasis through modifications to a wide range of state policies and programs in economic development, transportation,

water supply and pollution control, state facility location decisions, investment of state funds, housing, and neighborhood preservation, state regulatory policies, educational finance, and changes in the finance, service responsibilities, and structure of local governments in urban areas.

If national urban policy is to encourage more effective use of existing urban investment, such a shift in emphasis by state governments is essential, for without active state partnership such a Federal policy cannot succeed.

As the report of the Council of State Planning Agencies, ***State Responses to Central City Problems***, remarks: "The Federal government is powerless to affect the revenues of central city governments except insofar as it gives money directly to the cities or gives the money to the states to redistribute. The Federal government cannot open and close tax sources to cities nor, under current laws, have any significant impact on how much money states provide to governments serving central-city populations. The Federal government has little impact on the organization of functions at state and local levels nor on the creation of taxing jurisdictions that encompass entire metropolitan areas. The Federal government cannot package its own programs. If a combination of housing, transportation, manpower training, adult education, and community block grant programs is going to be put together to help a metropolitan area with a specific plan, it will be the state or an instrumentality of the state that must do the packaging."

To a large extent, states could not avoid being immersed in the problems of their cities, but the rate of escalation in that involvement is rapid. In the counties containing the 11 major cities that lost more than 10 percent of their population between 1970 and 1975, local governments increased their tax collections by 52 percent. State aid, however, more than tripled, rising from an average in 1970 of $47 per capita in the cities to $153.

Local Actions

Parallel with the broadening of state assistance to cities and metropolitan areas are greatly expanded efforts in urban communities themselves to develop broader-based approaches to economic and community development.

In some instances, these initiatives are directly related to state actions. Establishment of the Metropolitan Council in the Minneapolis-St. Paul metropolitan area, for example, resulted from a direct initiative of the state legislature. Efforts in metropolitan San Diego and San Jose to phase the development of utilities and services on the urban periphery in accordance with carefully drawn plans and schedules were enabled by California legislation that empowers counties and cities to join together in managing the pace and direction of urban growth.

Since the late 1950s, many cities had been actively engaged in urban renewal efforts, particularly in their central business districts. But during this decade, the emphasis has shifted toward more comprehensive economic and community renewal. Louisville has created a Community Development Cabinet encompassing all community development, economic development, housing, and manpower programs. Hartford has attempted similar coordination.

Until this decade, economic development was not considered a major city government responsibility in most cities. That function was left to Chambers of Commerce, downtown associations, and similar organizations. Private associations and quasi-public corporations were frequently used in the past to facilitate community renewal and economic development: the Old Philadelphia Development Corporation, Kansas City Central Industrial District Association, the Greater Buffalo Development Foundation, for example. The Philadelphia Industrial Development Corporation and the Regional Industrial Development Corporation in western Pennsylvania were two of the pioneering industrial development authorities.

In the past decade, however, cities have not only expanded the use of such instruments, but organized major economic and community development agencies in city hall itself. States are granting authority to municipalities for a growing number of financing and land assemblage tools in connection with these efforts: tax abatements, tax increment financing, and direct short-term loans for business, to name but a few of the more usual. Industrial revenue bonds, combined with urban renewal and eminent domain powers, have provided cities with the opportunity to establish land banks, industrial parks, and broad-scope commercial and residential redevelopment projects. Ohio and Missouri have enacted legislation enabling municipalities to use 20-year tax abatements, flexible eminent domain authority, and government guarantees as incentives for in-town redevelopment.

In a growing number of cities this economic and community development planning is combined with efforts to bring local labor force skills into line with new employment prospects and to reduce hard core unemployment. San Diego uses a portion of its Federal CETA funds to contract with private industry to train employees for newly-relocating industries.

Albuquerque provides on-the-job training funds to new industries locating in the city as well as to existing firms planning to expand. Fort Worth, Long Beach, and Hartford have tried to use Federal training funds as an affirmative part of their efforts to create more mainstream, permanent jobs for the unemployed through cooperation with private employers.

Many cities are focusing substantial new attention on neighborhoods and are bringing neighborhood organizations into the planning of community and economic development projects. Buffalo, Cleveland, and Dayton has integrated neighborhood participation into overall city development planning. Minneapolis, New Orleans, Kansas City, and Milwaukee have neighborhood development programs which directly involve neighborhood organizations. Columbus, Ohio and a significant number of other cities have authorized neighborhood commissions that can establish and enforce standards for neighborhood renewal and rehabilitation. Many communities are now engaged in major housing and commercial rehabilitation projects recycling old buildings into new uses. These neighborhoods span all income levels.

In nearly all cities, however, comprehensive efforts from neighborhoods up have engendered a new need for close cooperation between public agencies and private business, labor, and civic interests.

"It is now time for government and the private sector to make an equally clear commitment to address the social and economic challenge of unemployment in our cities together."

Coy G. Ekund
President and Chief Executive Officer
Equitable Life Insurance Society of U.S.
New York Corporate Forum, October 1977

No matter how well-conceived public efforts might be to restore and maintain our communities as good places in which to live and find work, the ultimate outcomes depend on private decisions and private investment.

Decades ago, cities provided unique business advantages over decentralized sites. Face to face contact, skilled labor pools, efficient transportation systems, housing opportunities and education and cultural facilities created an environment conducive to high productivity. These economic advantages were further enhanced by cooperative relationships between city political leaders and the leaders of the local business community. Some would call it collusion but few would dispute the economic opportunities that were generated by an ongoing process of public-private sector interaction.

Today, grave obstacles have been erected to thwart both the economic advantages that cities once enjoyed and the fruitful opportunities that accrued to past public-private sector dialogue and cooperation. On the economic side, maintenance and operating costs have risen. Local property and income taxes have climbed. The skills of the labor force have fallen sharply. Transportation services have degenerated. The commercial and residential infrastructure has deteriorated.

On the political side, recent efforts have been made to broaden the participation of all citizens and interests in guiding city affairs. Although few can argue with the goal of increasing citizen participation in city government, the process of restoring more democracy to our civic affairs has frequently resulted in confrontations between groups and has sometimes produced inaction and stalemates in decisionmaking. At their worst, such antagonisms have prompted decisions by some firms to move out of some cities and metropolitan areas in search of less contentious environments.

More seriously, as noted at a conference on relations between the public and private sectors in the Northeast sponsored by the Department of Housing and

Urban Development, government and business simply "don't talk to each other. Since the underlying cause seems to be that niether considers the other worth talking to, an atmosphere of mistrust prevails." Two recent surveys of the Northeast and Midwest conducted for the Economic Development Administration in the Department of Commerce identified antagonism between business, labor, civic groups, and government in many mature urban areas as a primary impediment to economic revitalization.

In their day-to-day affairs, these groups must occasionally be adversaries in collective bargaining, government regulation, a higher level they share a common dependency upon economic expansion. The survey found that in the recent past these larger interests had been lost sight of in many parts of the Northeast and became rigidified in a set of regional antagonisms destructive to the long-run interests of all. Business had come to feel that State and local government are ineffective, fragmented, hostile, and uninterested in the very policies and programs needed to underwrite economic renewal. Business and labor distrust each other and a large and vocal segment of the public distrusts both as well as government. There is a sense that decisions have become too difficult, complexity and red tape too frustrating, and hostility too discouraging to those who invest in and manage economic enterprise.

In a series of forums that HUD sponsored to solicit the views of corporate leaders in the urban process, this same sentiment was expressed. Corporate leaders argued that public officials are acting irresponsibly if they do not try to attract the maximum amount of private investment dollars, jobs and local tax revenues. They are convinced that leadership by local public officials is necessary if economic development strategies are to be successful.

The Diverse Forms of Public/Private Partnership

Significant new and diverse cooperative efforts are now underway in each section of the United States to bridge these gaps of distrust and to develop partnerships between the public and private sectors in addressing complex economic, community, and social problems. Cooperation between government, business, labor, and civic organizations can and has taken many forms:

Community Promotion For many decades the private section has led in community promotion for economic development purposes. Government has come only recently to such activities at the municipal level. Increasingly, private and public efforts of this kind are being joined not only at the municipal, also at the metropolitan, state and regional levels.

Technical Assistance One of the most recent and useful forms of cooperation between the two sectors has been the provision of expert assistance to city governments by financial institutions for the purpose of improving municipal financial management. The most publicized examples of such assistance have been in New York City where corporate officers of several financial institutions have been assigned to work with the City in developing new financial management systems and practices. Similar assistance has been provided in Allegheny County in western Pennsylvania by financing institutions in Pittsburgh.

Economic Development A wide range of partnerships, through private or quasi-public corporations, has been formed to address the economic problems of cities. One of the oldest, the Philadelphia Industrial Development Corporation, was formed at the initiative of the Philadelphia Chamber of Commerce. It is governed by a 30 member board that includes seven city representatives, eight local business leaders, and 15 citizens chosen jointly by the city and the Chamber.

The Hartford Economic Development Corporation was created in 1975 as a bridge between the Chamber of Commerce and the city government. Through the Corporation, the city and business community work together to help retain existing industry.

In Minneapolis the linkage is less formal. Leading business firms have committed five percent of their profits before taxes for public purposes in the community. Private companies and the Downtown Council, a private organization of business leaders, encourage and help coordinate central city improvement, including financing architectural planning of many public and private projects. These activities are coordinated with and approved by the Minneapolis Industrial Development Commission, the public agency responsible for overall city planning and financing and construction of privately and publicly subsidized facilities. The nine-member Commission is comprised of seven business representatives and two public officials appointed by City Council.

The Chicago Central Area Committee, in cooperation with the City Planning Department, financed the $350,000 Chicago 21 Plan. Chicago United is a consortium of business leaders concerned with the social and economic problems of minority neighborhoods.

Community Development The varieties of cooperation in community development are as great as those in economic development. The quasi-public Dayton City-wide Development Corporation is governed by a 28-member Board of Trustees appointed by the City Commission from the city's public and private sectors and neighborhood organizations. Its function is to assemble land for community renewal projects and to stimulate high risk new construction and rehabilitation.

The Milwaukee Redevelopment Corporation, on the other hand, is a private profit-making organization created to stimulate private investment in the Milwaukee business district. Public aspects of redevelopment projects are carried out by the Milwaukee Department of City Development and the Department of Public Works. Coordination is achieved through the Mayor's Task Force which includes representatives from the Redevelopment Corporation, the Commissioners of City Development and Public Works, the Mayor, the President of City Council, and the downtown Aldermen.

Job Training and Employment Public and private cooperation in training and placing unemployed youth and displaced workers is a growing phenomenon. The most affirmative use of public vocational and training systems to custom train employees for new and expanding firms in a labor market area has been in southern states and cities.

South Carolina and Alabama have been particular examples of an integrated approach to economic development and manpower training. The schools work closely with employers on custom training workers for new plants or expansions. More and more states and communities are now developing efforts of this kind in cooperation with the private sector. Hartford and San Diego have both recently embarked on such efforts at the metropolitan level.

The Committee for Economic Development, one of the Nation's leading business research organizations, has recommended that future efforts to train the hard-to-employ build upon successful past experiences.

The Committee calls for cooperative community efforts involving businesses, nonprofit organizations, unions, schools, and governments to increase training and job opportunities for the hard-to-employ. Newly enacted Federal youth employment programs provide funds and flexibility to experiment with more effective approaches to such cooperative training and placement.

Cooperation Between Labor, Management and Government Labor, management, and governments are beginning to cooperate at the community, state, and regional level to promote job expansion and training for the unemployed and displaced. However, this cooperation extends well beyond these areas of concern in some instances.

Many private labor-management committees are underway already in plants, communities, and several states. There are 30 in New York State alone.

Labor-management committees are not new to the United States. There were joint committees during the 1920s, but practically all disappeared during the depression of the 1930s. Then under the spur of the War Production Board during World War II about 5,000 committees were formed. Most of these withered away by the late 1940s. They are coming back.

A national survey in 1976 reported 113 plant committees in 89 companies including, among others, A & P, Bendix, Chrysler, General Motors, Ford, Georgia Pacific, Harman Industries, Kaiser Steel, Parker Pen, U.S. Steel, and Zenith. International unions include the Machinists, United Auto Workers, Steelworkers, American Federation of State, County, and Municipal Employees, Teamsters, Meat Cutters, and Paperworkers.

The unique dimension in recent experience has been the accelerating participation of local and state governments in labor-management cooperative efforts to address community economic development or labor-management issues. There are 49 Federal, state, and local agencies currently involved in such efforts.

Perhaps the best known community effort in the Nation is in Jamestown, New York.

The Jamestown initiative began in 1971—prior to the recession—when this upstate New York city of 40,000 was in deep economic trouble. For eighteen years the absolute number of manufacturing jobs had been declining and one of its largest companies had become insolvent, leaving vacant a new million-square-foot facility. In addition, the town had a reputation for having a bad labor climate. A community-wide labor-management committee was formed that today has reversed economic conditions in that community. Labor working with management has improved manufacturing operations in several plants, helped conceive some new product lines for manufacture, upgraded productivity, and carried forward an industrial development program.

Housing Private and public cooperation in the rehabilitation of older housing and neighborhoods is accelerating rapidly and is taking many forms. The Neighborhood Housing Services Program of the U.S. Department of Housing and Urban Development and the Federal Home Loan Bank Board have been referred to previously in this report as promising new mechanisms for cooperation in neighborhood renewal between residents, city government, financial institutions, and the Federal agencies involved.

Savings and Loan Associations have created "risk pools" to provide conventional mortgage loans in inner city neighborhoods in Washington, St. Louis, Philadelphia, and a significant number of other cities. It is estimated that private investment in restoration of housing in inner city neighborhoods was about $11 billion for 1977.

The diversity of these new cooperative arrangements reflects the variety of conditions that exist among cities and urban areas across the Nation. This cooperation is also extending beyond metropolitan and State boundaries to include whole regions in which common problems exist. Public and private cooperation at the community level is thus increasingly paralleled by similar arrangements at the multi-state level.

Direct Federal action to spur private investment in cities.

Generally speaking, the kinds of direct Federal action needed to create a public/private spirit for development, investment and employment opportunities can be separated into four groups. These are:

Redeveloping urban infrastructure—An urban area's infrastructure is one of its greatest resources, but if it is obsolescent, it also can be an impediment to new development and to reinvestment. Among the primary reasons for obsolescence are age and physical deterioration, the changing nature and requirements of urban life, and the development of new technologies. Obsolescence also results where a municipal government seeks to economize on expenditures. Failure to keep up a city's infrastructure is often a politically less sensitive action than cuts in the municipal work force.

Improvements in the availability of long-term credit for urban business—Private lending institutions are often unwilling to make long-term credit available to urban commercial ventures. Institutional factors sometimes make it impossible for lending institutions to provide such credit. Commercial banks are constrained by regulatory institutions to limit long-term loans in their portfolios. Savings institutions often are limited in the degree to which they can invest in business as opposed to housing. There is no urban development bank or other mechanism that ensures that long-term credit to urban business is available, and there is as yet no substantial secondary market for private tender loans to urban businessmen.

Enhancing employment opportunities and labor force productivity—Unemployment is generally much higher in cities than in their suburbs. This is largely because many core city residents are poor and untrained and do not have the skills required by potential employers. It is also because the positions that are open to them frequently offer low pay and limited career potential. These factors contribute both to the continued high incidence of unemployment among urban residents and a lack of productivity in many sectors of the urban work force. Other important factors include the fact that an increasing proportion of core city residents are young and black or members of minority groups. Private employers are often reluctant to risk hiring and training potential employees without previous experience.

Federal commitment to the viability of urban areas—The Federal Government has participated in, and in some cases been a leader in moving its facilities out of deteriorated city cores into newer sections and to the suburbs. The loss of these facilities, the goods and services needed to supply them, and the employment opportunities they generate has had a marked effect on the economies of these cities and on their private sector. By its own actions, the government can stimulate and reinforce private commitment to inner cities.

A Modest Beginning

The examples cited above mark a modest beginning. They are an effort to initiate a process of public/private sector interaction. It is symbolic of a recognition on the part of government that the private sector plays the primary role in affecting urban conditions and patterns and, therefore, should be made a partner in the urban process.

In the coming age of scarce resources coupled with increasing demand for consumption, haphazard planning cannot be afforded. Unless this country chooses to build a rational system of public/private sector communication, governmental and private investment decisions will continue to be made without the ability to anticipate the consequences of those decisions. Certainly, there resides within the business community untapped expertise and compelling economic incentives for their participation to become a very positive contribution to the national interest.

"Each panel recognized that our system does not meet adequately the development challenges that spread regionally across state lines. Each was impressed by the beginning made by the present array of regional commissions and those that explored the problem urged a re-examination with a view toward realizing their full potential in assisting public and private programs for full economic development."

Dr. James A. Norton, Chancellor of Ohio Board of Regents Summarizing some deliberations at the White House Conference on Balanced National Growth and Economic Development, February 2, 1978

Urban communities throughout the United States exist in highly diverse environments reflecting the variations in climate and physical conditions between one section of the country and another as well as the social and economic conditions peculiar to each region's historical development. The growth and decline of urban communities in any given area of the Nation both affect and are affected by the economic and social conditions of its region.

Today, the communities and states of some regions are attempting to manage their urban growth so that it does not undercut prized environmental and cultural amenities, while other regions and communities desperately struggle for whatever development they can attract.

The old Manufacturing Belt Areas of the Northeast and Great Lakes areas are concerned over the decline of their cities and manufacturing towns as jobs and population decentralize across the Nation away from the early centers of concentration.

Parts of the South are concerned with their rapid growth and avoiding "northern mistakes in a Southern setting" while other parts of the South continue to wrestle with the seemingly intractable problems of poverty and underdevelopment.

Sparsely populated areas of the West worry about the implications of intensive energy development for their scarce water supplies and agriculture.

Regionalism, Sectionalism, and the Nation

A 1935 Federal Task Force assessing regional factors in our national development observed:

"Major problem areas frequently overlap state boundaries and yet cover only a part of the whole Nation. Production areas, manufacturing areas, lines of transportaton, corn, cotton, citrus, coal, watersheds, timber, are no respectors of political boundaries, yet many create problems that require public attention. Some of these areas, such as the Northeast, the Northwest, the Southeast, are marked by so many fundamental natural, population, and cultural factors, that they create a regional consciousness in the minds of their inhabitants. The fact that state boundaries are firmly embedded in the Constitution has led to a search for means of setting these regional or subnational interests into the framework of the American Nation."

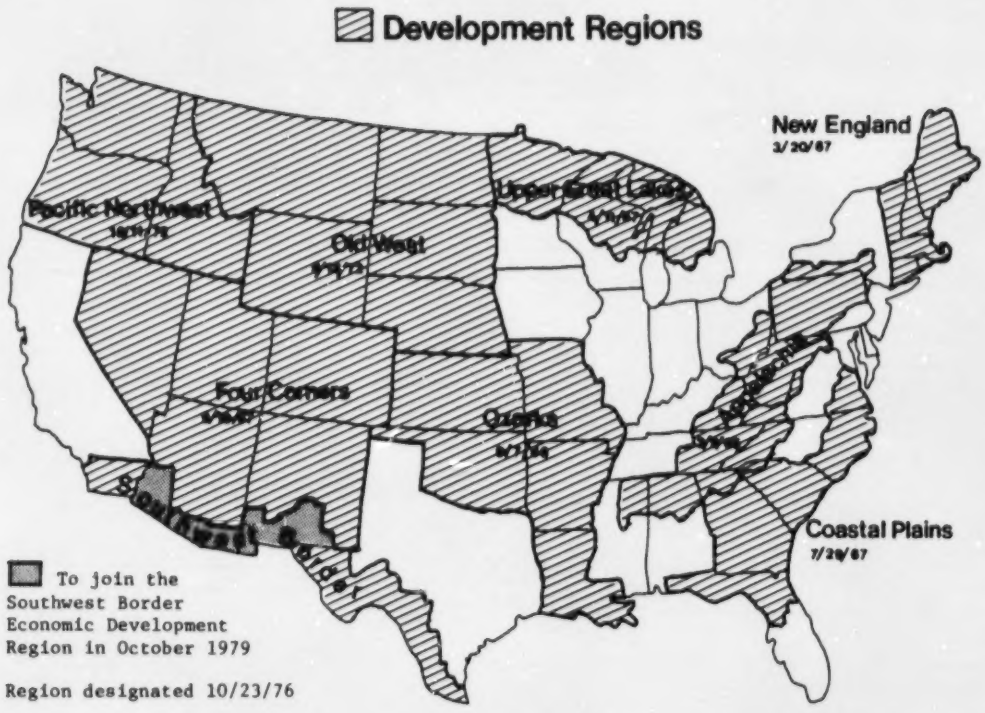
Over the years, through state and Federal action, a multitude of arrangements have been devised to deal with those problems that transgress political boundaries. The result is today's map of commissions and organizations that have "grown like topsy." Lines were drawn around problems as we created them. This is reflected in the creation of over 160 interstate compacts, 12 metropolitan interstate compact agencies, 14 Federal-interstate noncompact commissions, and nearly 18,000 special purpose organizations that cross municipal or county boundaries.

In several regions of the country, the complexity of intergovernmental arrangements thus created has prompted calls for simplification and a reduction in the number of such organizations.

Some Western states are attempting to consolidate interstate organizations. New England states have undertaken similar reviews in the past. During 1978 authorizations expire for regional economic development commissions under Title V of the Public Works and Economic Development Act and the Appalachian Regional Commission under the Appalachian Regional Development Act. This has drawn new attention to the question of how the Nation might build on the past experiences under these arrangements in developing mechanisms for regional intergovernmental cooperation in the future.

The need for and nature of such regional bodies not only varies from one corner of the Nation to another; they also post fundamental issues for the Federal system. As the 1935 Federal task force on regional factors in national development observed:

"If regions with serious problems were to be given geographical boundaries, the tendency to defend their regional interest at the boundary, so characteristic of Europe, might be encouraged in America. On the other hand, a series of interrelated regions, closely cooperating with the Federal establishment, would



Dates represent when Commissions were organized.

tend to cement the Union and to promote the solution of intersectional adjustments."

That task force was careful to make the distinction between sectionalism and regionalism: "regionalism envisages the Nation first, making the total national culture the arbiter, while sectionalism sees the region first and the Nation afterward." Regional arrangements that can help accommodate the enormous diversity of needs and conditions among the various areas of the country are critical to future urban and development policies. But self-interest construed in purely sectional terms can only prove destructive to both national and regional interests.

The differing character of regional needs and aspirations can be seen best by summarizing those needs and interests in each area of the country.

Regional Issues in the Northeast The Northeast is comprised of the six New England states and the three Middle Atlantic states of New York, New Jersey and Pennsylvania, long the dominant financial, cultural, and economic region of the country. Regional leaders in the Northeast have been preoccupied since 1970 with population and employment losses, particularly from the Middle Atlantic states, and with the decline of many of the region's mature urban areas, particularly those that have specialized in manufacturing.

New England has had a long tradition of regional cooperation among the six states in dealing with these and other problems. Indeed, in recent years there has been some concern over the very large number of interstate organizations in that area.

Questions have been raised periodically by New England Governors about fragmentation and lack of coordination among competing regional groups. The New England Regional Commission, established under Title V of the Public Works and Economic Development Act, provides one forum for Federal and state governments to cooperate on regional problems.

Except for interstate compacts at the metropolitan level and several river basin commissions, the three Middle Atlantic states have not been as intensively linked regionally, though some portions of New York

and Pennsylvania are included under the Appalachian Regional Development Program.

Since 1976, however, a large number of informal organizations have been created in the Northeast as forums for addressing the common problems of the area. One organization, the Northeast-Midwest Economic Advancement Coalition, actually spans the Congressional delegations of both the Northeast and East North Central regions.

Seven of the nine northeastern Governors have formed the Coalition of Northeastern Governors. Legislative leaders have formed the Steering Committee of Northeastern Legislators. And a Council for Northeast Economic Action has been created consisting of leaders in government, business, labor, academe and the civic sector. A similar group of local municipal and county officials has also been established.

These organizations have focused much of their attention on the impact of Federal policy upon the region. The Coalition of Northeastern Governors asserts that "regionalism represents a structure through which groups of states can highlight those issues of shared concern and impact." The Coalition argues that:

"Federal funding and investment decisions can be made, and should be made, to help restore or maintain vitality. The needs of our regions vary, they are not easily defined in homogeneous terms. To the extent they differ, Federal aid should recognize these differences."

While much northeastern attention has focused upon regional concerns over whether Federal procurement, payroll, and installation location decisions have worked to its disadvantage, many of the northeastern groups are also engaged in a series of regional initiatives to meet some of the area's identified problems.

The Coalition of Northeastern Governors has been actively exploring the feasibility of a regional energy development corporation that would encourage and facilitate energy development projects or energy conservation projects, including the development of eastern coal in order to reduce regional dependence upon imported oil and natural gas. The Coalition is also evaluating the rail, highway, and port modernization needs of the region. In some cases deficiencies in these systems are serving as bottlenecks to effective economic development in some of the region's cities.

Labor, management, and government have been quietly forming new partnerships in a number of urban centers and states in a cooperative effort to reverse economic losses and improve the productivity of both physical plant and the work force. In a number of cities, private financial institutions have released some of their most skilled managers to assist cities and counties in improving their financial management. Financial institutions have also joined with government in improving the availability of capital for improvement and construction in older neighborhoods.

During 1978, the several new regional organizations are cooperating in drawing up plans for regional economic action, though the future form and mechanism for regional cooperation is not yet clear.

New York, New Jersey, and Pennsylvania have joined with Delaware, Maryland and the District of Columbia in applying to the Secretary of Commerce for designation as another Regional Economic Development Commission under Title V of the Public Works and Economic Development Act. The decision has been held in abeyance pending decisions about the future form and function of such regional commissions.

North Central Region The North Central Region consists of two divisions, each quite different in their economic character. The East North Central, or Great Lakes area, is the premier heavy manufacturing region of the country. The West North Central has historically been predominantly agricultural, one of the nation's principal breadbaskets.

However, the decentralization of industrial location is clearly discernible in this region as it is in the country at large. Manufacturing employment growth is occurring in the formerly predominantly agricultural West North Central region, while it is declining in many parts of the East North Central. And outmigration from the West North Central has appreciably slowed while population growth in the East North Central has very nearly come to a halt.

Relatively few interstate organizations have existed in this region except for water resource purposes on the Great Lakes and along the Ohio River. The Upper Great Lakes Regional Commission was established under Title V of the Public Works and Economic Development Act of 1965 to assist the essentially nonmetropolitan counties of northern Minnesota, Wisconsin, and Michigan. No such body was established in the manufacturing and urban sections of the region covering the southern portions of those three states plus Ohio, Indiana, and Illinois. The latter states have joined with Iowa in applying to the Secretary of Commerce for designation as a Title V Re-

gional Development Commission, but again the decision has been withheld pending decisions about the future of such bodies under Federal legislation.

The West North Central states, with the exception of Iowa, are embraced under the Old West Regional Commission established in 1972. Numerous private regional organizations have focused attention on regional economic issues in the past, most notably the Upper Midwest Council initiated by the Minneapolis Federal Reserve Bank.

With the resurgence of manufacturing and other employment growth, a central regional preoccupation in the West North Central area is with Federal agricultural policy and particularly the problems of fluctuating farm prices and the inability of farmers to earn sufficient return on their crops to match inflation in their production costs.

In the East North Central area, major concern is with stagnation in the employment base of many of the older urban manufacturing centers. In 1977, the Governors of the six Great Lakes states established a Committee for Great Lakes Economic Action which is formulating cooperative plans for future efforts in the region. A reconnaissance of regional problems found that:

- Access to capital is lacking for new high-risk ventures, a national and not merely a regional problem.
- Labor costs, productivity, work rules, and work attitudes are key problems in much of the region.
- The availability of energy and the assurance of its supply is a key issue for both existing industry and expansion in this region.
- While ample water resources generally are one of the region's great natural assets that could be marketed to advantage, there are parts of the region that suffer because of lack of water or the availability of facilities for water and sewerage treatment.
- Though reoccupation of central-city areas is the key to revitalizing many urban economies in this region, land is not being converted to new uses. Much of the land in major cities and in some smaller towns lies idle when it could be turned to more productive industrial, commercial, and residential uses.
- While the region's transportation facilities were major assets in making it the manufacturing core of the country, it now suffers from a deteriorating rail network, deficient secondary highways in some areas, and there is a need to expand seaway commerce which at present must pay tolls unlike other traffic on Federally financed waterways.

The South The South, like New England, has long had a special sense of regional identity. This is reflected in the large number of interstate arrangements in the South in education, energy, water resources development, and a host of other fields. The Tennessee Valley Authority, the Nation's first major Federally inspired regional experiment, covers parts of North Carolina, Tennessee, Alabama, and Kentucky. Two regional commissions established under Title V operate in parts of the South: the Coastal Plains Regional Commission in portions of Florida, Georgia, South Carolina, North Carolina, and Virginia and the Ozarks Regional Commission covering the states of Louisiana, Arkansas, and Oklahoma. In addition, the Appalachian Regional Commission covers all of West Virginia and portions of nine other southern states.

The most recent addition to this galaxy of southern regional organizations is the Southern Growth Policies Board, governed and supported by the state governments of 13 southern states. The Board serves as regional forum on regional growth issues and is intended to help the South anticipate and cope with economic and social change.

The Board has closely monitored the divergent trends of growth in the South: rapid growth in some areas of the region on one hand and persistent poverty and unemployment in some urban centers and rural regions on the other.

Two states, Florida and Texas, accounted for about two-thirds of the 1970-76 net inmigration and almost half of the population growth. Personal income and nonagricultural employment increases were also concentrated in those two states.

While the differences between residents of the South and the rest of the Nation have been modified by substantial inmigration, the Southern population still differs significantly from the rest of the country in several respects. There are higher proportions of blacks and young persons in the South and the educational attainment of the adult population is well below the national average. A comparison of economic data shows the South becoming increasingly like the rest of the country economically, but in these two aspects convergence with the rest of the Nation appears distant.

Southerners are, on the average, poorer than their counterparts in the rest of the country, despite a 1970-76 increase in personal income that was above the national rate. Income levels in the South remain below the national averages, and the 1976 per capita income in the South was $5,771, ninety percent of the comparable figure for the Nation. However, the effect of lower incomes is offset somewhat by a cost of living estimated to be about six percent below the national level.

Expansion in population, income and employment is distributed unevenly between central cities and other metropolitan areas in the South. Older cities in the South are experiencing the same population dynamics as older cities in other regions. Much of the new Southern population growth has tended to be in low-density developments in or near metropolitan areas and in smaller cities and towns in nonmetropolitan areas. However, high-density urban growth has occurred in some areas, particularly Florida, where resort and retirement developments are crowded along the coast in multi-family units.

Industrial growth, particularly manufacturing, has also been decentralized and scattered in rural areas and smaller cities throughout the region.

Urban and metropolitan growth in most Southern metropolitan areas has been relatively dispersed, low density in character. These growth patterns threaten to seriously strain the fiscal capacities of many local governments in the South in the future. High-density urban living is at the opposite extreme from the current patterns of dispersed growth, which contribute to urban sprawl. Southern states and their communities will, in all likelihood, seek to implement growth management policies that attempt to find a middle ground between urban sprawl and high-density urban living.

Southern economic growth is closely tied to the availability of energy. Since the South contains a major portion of the Nation's energy supplies, national energy supplies will also be drawn to a large extent from the South.

Even though the region has much of the Nation's energy reserves, almost all parts of the South are threatened with energy shortages in the immediate future. Already, curtailments of natural gas have caused severe economic dislocations to industries in the Southeastern states.

Efforts in the South to supply regional and national energy needs will cause major conflicts with environmental objectives. They include:

- The siting of new energy facilities, including nuclear plants and the disposal of nuclear wastes.
- Increased coal production and the associated environmental impacts of strip mining, increased water consumption, thermal pollution, air pollution from burning coal and industrial development in coal producing areas.
- Outer Continental Shelf oil and gas development and the associated onshore and secondary development.
- The construction of superports along the Gulf coast and the associated secondary impacts.

The West The West is divided into two census divisions: the Mountain West and the Pacific Rim. Following World War II, the Pacific Rim was the preeminent rapid growth region of the country. In the 1970s, the Mountain West superseded it as the most rapidly growing area.

The Mountain West has experimented with numerous interstate organizations to meet regional needs, some public, some private, some a combination of the two: three Regional Economic Development Commissions—the Four Corners Regional Commission, the Pacific Northwest Regional Commission, and a part of the Old West Regional Commission. There are a number of river basin commissions. And the Federation of Rocky Mountain States, a forum of public and private leaders from the region has just recently been disbanded.

The Western Governor's Conference is a long-standing regional voice in national affairs for the region's interests. And a new organization, intended to consolidate some regional activities, the Western Governors Policy Office, includes most of the Mountain states and several other western states as well.

Efforts by western states to articulate a new, simpler set of regional arrangements continue, but the region's concerns and interests are readily identifiable.

Water is perhaps the top concern of western development since the region was first settled. As Federal water policy reviews are undertaken, there is deep concern in many western states that the complex of water laws evolved in each of the states over a long period of time will be jeopardized or usurped.

A large percentage of land in the western states is in the public domain and therefore Federally-controlled. Development on those lands affects the states and communities. Western states continually press for closer cooperation between the Federal government and states in coordinating Federal, state, and local development plans and Federal land management.

Potential development of western energy resources and the impact of that development on local communities is a related regional issue. Western states press for Federal-state partnerships in planning energy development on Federal lands or on off-shore leases to both anticipate and cope with economic, social, environmental, and physical consequences, including the construction of new communities or expansion of existing communities.

The agricultural states urge long-term agreements with foreign purchasers for American farm exports to improve the predictability of agricultural markets.

Hawaii, California, Oregon, Washington, and Colorado are engaged in separate attempts to cope with the problems of inmigration and urban expansion. The future expansion of urban areas in Arizona and elsewhere require expensive water transfers.

Such issues inevitably prompt searches for mechanisms by means of which Federal, regional, state, and local interests can be harmonized in guiding the future growth and development of the area.

The Western Governors' Policy Office supports establishment of a nationwide system of regional development commissions to promote multistate and intergovernmental planning and development. Building on the experience with existing regional commissions, the group urges that the approach be strengthened and broadened with states having the determining voice in deciding which states would participate in which regional groupings.

Future Regional Cooperation

There is a growing sense of need for cooperation in regions of the country sharing common problems—to pool ideas, to advocate common positions on the national scene, to cooperate in approaches to specific problems, to provide a forum for shared decision-making between the local, state, and Federal governments and between the public and private sectors.

The Nation has experimented with a diverse number of instrumentalities to facilitate cooperation across state lines, some highly formal and involving compacts and legislation; others informal, based on little more than an understanding. Obviously no single model fits all needs. However, there is a necessity for the Federal government to re-examine its own role in catalyzing the formation of new regional organizations at both the sub-state and multistate levels, since it has been a primary stimulus for proliferation in such bodies.

In the next two years, Federal policy on regional organizations should be reviewed at two levels:

- The role of Federal categorical programs in creating regional bodies at the sub-state level that may further compound the problems of general governments; and
- The role of the Federal government in stimulating and supporting the formation of multi-state organizations.

While there appears to be broad agreement among the states that experience with multi-state regional development commissions has been constructive, particularly in serving as a forum for discussing Federal, state, and local interests, evaluations by such disinterested sources as the General Accounting Office and the Advisory Commission on Intergovernmental Relations indicate that the enabling legislation for these commissions is ripe for reconsideration, building upon the experience of the past 13 years.

These commissions have apparently not fulfilled early hopes in promoting interstate cooperation and they do not provide entirely satisfactory opportunities for participation and cooperation with the private sector and local governments. Their present territorial configurations have become overlapping and confusing. And their functions and organization may require substantial improvement.

The desire for regional cooperation on common problems grows stronger. It appears that there is a need for more satisfactory mechanisms to facilitate that cooperation.

4. Impact of Federal Policies upon Urban Development

"The influence of Federal policies in the geographic distribution of population and economic activity is powerful even though these policies, by themselves, are not the sole cause of shifts among regions, within our urban areas, and between metropolitan and nonmetropolitan areas. . . . Proposed major new Federal legislation and administrative regulations should be analyzed in terms of their projected economic, geographic, environmental, and other impacts."

Dr. Charles E. Bishop, President of the University of Arkansas
Summarizing some workshop deliberations at the White House Conference on Balanced National Growth and Economic Development, February 2, 1978

The United States is not alone in feeling the consequences of urban decentralization. The same trends, though not so far advanced, have begun in other advanced industrial countries. In Great Britain, there recently has been a pronounced trend toward the dispersal of population and employment out of the large central cities of that country. In France and Germany, manufacturing is decentralizing out of the cities and declining population growth rates have led to inner city and inner suburb population losses resembling those in the United States.

It appears as though modern transportation and communications, reinforced by changing production technologies, the footloose character of many firms in a post-industrial economy, the growing influence of residential amenities upon population movements, and the inadvertent consequences of public policy are underwriting the decentralization of population and economic activity in the United States and elsewhere.

While national policies and programs are not a primary cause of these changes, they do appear to have reinforced and abetted them. In some instances they have aggravated the problems of communities and individuals attempting to cope with economic and social change.

It is perhaps symptomatic of the piecemeal evolution of national policies and programs that until recently we were unable to state with any degree of certainty what their cumulative consequences for the development of the Nation and its communities appeared to be.

Several major Federal programs and policies have reinforced—often inadvertently—the trends that cause cities to decline. Examples are Federal funding of water and sewer systems that have favored construction of new facilities over rehabilitation of old ones; Federal highway construction that has encouraged rural and suburban growth and tended to hasten the destruction of some urban communities; location of Federal facilities in suburban rather than central city regions; procurement of Federal goods and services without regard to their urban impact; and failure to target the extensive Federal aid already given to localities to distressed urban areas. (Indeed, Federal aid has become a mainstay of city finances, rising from less than 10% of local revenues in 1960 to 40 percent or higher in 1978 in many urban communities. Because of the distribution of revenue sharing and block grants, Federal payments to the average municipality from 1969 to 1975 rose 50 percent more than payments to ten major older cities.)

The alarming fiscal, unemployment and population trends affecting many of the Nation's communities, particularly the older cities of the Northeast and North-central regions impel a new reassessment of Federal urban responsibilities and programs.

During the last several years, there have been several attempts to gather the findings of fragmentary research on the impacts of Federal programs and to present those findings within a coherent framework. While many uncertainties remain, the aggregate results of policies adopted incrementally can now be discerned. Below are discussed some of these policies and their urban results.

The Urban Impacts of Transportation Policy

Highway policy and decentralization The impact of transportation on the size, shape and economic condition and social character of human settlements is pervasive. Until the latter part of the 19th century, the relationship among various urban land uses was determined by walking distances, which created high density development at the center of cities and a mix of human activities that were dependent on each other for interaction and mutual support. The introduction of public transit and suburban trains allowed people to travel farther to outlying areas. Automobiles permitted even more decentralization. Los Angeles, for example, was first shaped by streetcar transit; not until the 1950s did the many small municipalities that made up the city fill in the undeveloped areas between.

The most powerful direct Federal action that has contributed to metropolitan decentralization and central city decline, the opening up of nonmetropolitan America, and the regional dispersal of population and economic activity has been the construction of the interstate highway system.

Initially, reductions in travel time along interstate routes radiating from principal cities enlarged the commuting sheds and trading areas of metropolitan centers and the large non-metro cities, accelerating the relative decline of distant small communities lying beyond the enlarged commuting sheds. They then opened up nonmetropolitan cities and smaller and medium-sized towns to manufacturing locations. Industrial location is now much more "footloose" because it can draw its community work force from larger areas.

Ironically, these improvements have enhanced the locational advantages for manufacturing in many nonmetropolitan areas at the same time they have enabled rural residents to commute to and shop in larger communities an hour or more away. A new "rural" environment has thus been created that is linked closely with large urban centers 50 or more miles away.

At the same time beltways wrapped around metropolitan areas created a new physical structure for multi-nucleated metropolitan development patterns. This further contributed to enlargement of metropolitan commuting sheds by pruning away the slow center city segment of the commuting trip from rural locations.

Construction of the interstate system has dramatically reduced travel time between cities, conferring a new competitive advantage on trucks as conveyors of commerce. Combined with the massive attraction of inter-city passenger traffic to the airlines, this has reduced the rail network to heavy reliance on bulk freight.

Decline in highway construction An important trend in national transportation is a decline in new highway construction. The major reason for this is because the interstate highway system is almost completed, not because there has been a decline in automobile usage. This rate of increase in new highway construction has slowed since the 1960s and especially since the early 1970s. For the three decades from 1930 to 1960, the average annual increase in the total surfaced mileage of roads and streets was 3.7 percent. During the 1960s the average annual rate fell to 1.4 percent, and since 1970 it has slowed to one percent, with a shift to maintenance. While the Nation's interstate highways are generally in good condition today, and many are relatively new, expensive maintenance programs are needed to keep them safe and comfortable.

The interstate highway system, now nearing completion, has been the most ambitious public works program in the history of the nation. Its impacts on urban and rural areas have been enormous. By 1978, 92 percent of the system was open to traffic; 4 percent was under construction; 3 percent was approved but not yet under construction; and only one percent (about 500 miles) was not yet approved.

The original justification of the interstate system was to connect cities, states, and multi-state regions. This goal has been achieved, although two-thirds of all interstate traffic is within metropolitan areas. Indeed, one fifth of all urban transportation is interstate highways.

Some of the most controversial segments of the interstate highway system are those which will be used as commuter highways, such as I-66 connecting northern Virginia suburbs to Washington, D.C., and I-85 northeast of Atlanta. For segments like these, final approval has often depended on inclusion of transit benefits such as special rush hour bus and carpool lanes.

Increase in urban transit Most American cities today reflect the primary of automobile transportation, although a modest increase in transit ridership has been evident in the present decade. Transportation policy is beginning to address highway and transit systems in a more integrated way. Both Federal and state policies are now concerning themselves with needs to maintain highways that are already in use and to offer communities the choice of better public transit as well as transportation by private automobile. The settlement patterns of the post-war years drastically undermined urban transit. At the same time that highways were being built to provide access to the suburbs, the flow of population out of the city neighborhoods cut the use of public transit, after which service levels were reduced, making public transit less attractive until the only riders left (outside of rush hour) were those with no choice—the young, the old, and the poor.

Only in the last few years has transit use begun to recover slightly from a 30 year decline, increasing ridership since 1974 about 0.9 percent per year. During the 1960s the total number of transit passengers decreased 2.4 percent per year, and 1.4 percent per year from 1970 to 1974. The decline reflects the migrations to the suburbs and also the migration from the older, denser cities of the northeast to the less centralized towns of the south and west. Major transit-oriented cities like Boston, New York, and Philadelphia have lost both population and transit ridership in recent years.

Improving urban rail and bus transit The National Mass Transportation Assistance Act of 1974 resulted from (and also stimulated) considerable interest in rail transit. About sixty applications from cities for subways and aboveground rail systems have been submitted to the Urban Mass Transportation Administration (UMTA) since 1974. Because the interest far exceeded Congressional appropriations, and to encourage more efficient transportation, UMTA has required cities to show that other, less expensive transit methods were tried or considered. The requirement for an "alternatives analysis" to be submitted with applications for transit proposals has been an important aid to improving transit quality and efficiency.

After cities have carefully compared the merits of rail and bus transit, many have discovered that their spread-out neighborhoods, businesses and shopping areas make bus transit more practical. A good bus system costs less, and routes can be adjusted to accommodate shifts in population or commerce. Also, improvements to bus systems can be made quickly, unlike rail systems that take years to plan and build.

Since its inception in 1964, UMTA has provided Federal financial assistance for the acquisition of buses, maintenance or upgrading of vehicles presently in service, and transit-related facilities, and for operating subsidies. In total, UMTA has provided funding for the purchase of 32,220 buses during the last fourteen years. Most of the buses purchased were replacements; less than 5 percent were expansion to existing fleets. During fiscal year 1977, Federal assistance was given to 132 urban areas to purchase a total of 3,808 new buses. The total purchase cost was approximately $300 million.

Federal assistance has provided to urban and rural areas a wider array of transportation options. Special-use vehicles, such as buses specifically equipped for the elderly and handicapped, have been funded under the grant program, enabling those with limited mobility to become more active participants in the regional economy and social life.

Transit and land use Perhaps the biggest debate about public transit concerns the interrelationship between land use decisions affecting future patterns of growth and transit decisions. A regional planning approach linking the two has had strong support. Some foreign cities, like Toronto and Montreal, have limited commercial and residential high-rise buildings to areas within walking distance of a transit station. But comprehensive planning for transit, housing, and commercial development has not been very successful in this country. Only a few urban areas, such as the Minneapolis-St. Paul area, have regional governments with legal planning authority to carry out comprehensive development plans. One recent study indicates that effective land use policies in urban areas can substantially increase mobility while conserving energy as well. The potential is especially great in areas where new growth is occurring, such as the South and Southwest.

Urban areas with new rail systems, like the Washington, D.C. area, are experiencing substantial increases in property values near transit stations. Ultimately, greater density will result. Thus economic incentives resulting from the new rail system may bring about some development similar to that which land use planning would have achieved, but without the benefits of comprehensive planning.

A Department of Transportation report in 1977 studied the land use impacts of older rail transit systems in U.S. cities, new rail transit in Toronto, Montreal and San Francisco, and other transit systems such as light rail and busways. The report concluded that recent transit improvements have been important inducements to higher-density development near transit stations, but only when supported by demand for new office space and apartment development. In other words, the transit stations helped determine the location of new demand, rather than generate them. The report notes that while major transit improvements may not cause net gains in urban economic or population growth, other urban goals—such as mobility, air quality improvements, and safety—can be achieved with transit development.

New Federal transportation policy New highway and transit legislation sent to Congress in January, 1978, represented a year of work by the Administration and the Congress to integrate the highway and transit programs. Extensive hearings had been held in May and June 1977 by the House Subcommittee on Surface Transportation.

The proposed legislation includes three major goals—to improve urban transportation planning, to make funding more flexible, and to complete essential gaps in the interstate system. The Administration also has proposed slight increases in surface transportation funding, which in total would amount to more than $50 billion during the four fiscal years 1979-82.

To improve planning, the proposed legislation would consolidate highway and transit planning funds and program regulations. The need to improve transportation planning at the regional level has been apparent for several years, and in 1975 DOT established the requirement for Governors to designate "metropol-

itan planning organizations" (MPOs) to make transportation decisions in urban areas. But most MPOs lack real authority and financial independence to carry out their decisions.

The proposed legislation would give new support to the MPOs and to regional transportation planning. Planning funds for urban areas with a population of one million or more would be distributed directly to metropolitan planning organizations. DOT has proposed to review and approve transportation plans for these areas and to assure consistency with national transportation, environmental, and economic goals. Smaller urban areas would receive funds distributed through state governments. The planning funds could be used for highway or transit planning, at the discretion of the metropolitan planning organization.

Flexible use of transportation funds is the second major goal of the bill, which would set the Federal share at 80 percent for most highway and transit capital projects, rather than the current 80 percent for transit and 70 percent for non-Interstate highways. DOT argued that the Federal share should be the same for all surface transportation projects so that there would be no bias toward either highways or transit. The proposed bill would also combine rural transportation assistance, including operating funds for the first time, into a single program under state supervision. The "urban systems" program enacted in 1973 would continue with its flexible highway and transit program.

The third major goal is to complete the essential intercity gaps of the interstate system. The DOT Secretary has stated: "For the past twenty years, national policy has directed a large part of Federal financing for transportation toward construction of the interstate highway system. With most of that system now built and in use, the time has come to bring this landmark effort to a sound conclusion."

The proposed legislation includes several special financing mechanisms to enable states short of highway funds to start constructing the final segments of the interstate system promptly. Approved segments would have to be under construction by September 30, 1986.

Under existing law, the governor and the relevant local governments may withdraw non-essential segments and use an equivalent amount of funds on other highway or transit projects. However, the Federal share is reduced from 90 percent for interstates to 80 percent for substitute transit projects, and to 70 percent for substitute Federal-aid highway projects, although the total amount of Federal-aid remains the same. The proposed legilsation calls for the Federal share on all substitute improvements to be increased to a uniform 90 percent to provide a uniform basis for transportation decisionmaking.

The Urban Mix of Water Resources Policy

A crazy-quilt Federal water policies have grown up in an uncoordinated topsy-turvy fashion and are carried out through a crazy-quilt of Federal agencies and programs. At present, about 25 different Federal agencies spend approximately $10 billion for water programs. Half of these funds are spent by the Environmental Protection Agency and other agencies to prevent water pollution by supporting and encouraging the treatment of municipal waste water. The remainder is spent by the Corps of Engineers, the Bureau of Reclamation, the Soil Conservation Service, the Tennessee Valley Authority, and by other agencies for planning, construction, maintenance and operation of water projects, largely in order to support the development and use of water supplies.

These various water development programs are aimed at such objectives as: water supplies for land irrigation; municipal and domestic water systems; flood control; navigation; hydroelectric power; recreation; and protecting fish and wildlife.

Urban water Although overall Federal investments in developing and cleaning up the Nation's supply of water resources are declining as a portion of the Federal budget and relative to Federal expenditures on other forms of natural resources, they are very large, and undoubtedly affect patterns of urban and regional development. Of the $7.1 billion spent in 1975 20 percent went to the Middle Atlantic area, the single largest recipient. The Great Lakes area and Ohio received another 17 percent. Substantial additional funds went to the Southeast and Gulf Coast areas, the Mississippi basin area, and the West.

Expenditures aimed specifically at water quality and pollution control comprise a substantial portion of the overall funds going into the Middle Atlantic and Great Lakes area. In 1974 over half of Federal expenditures for water quality management went into these highly urbanized areas.

Significantly, Federal expenditures aimed at developing and using water resources are distributed quite differently. The region receiving the largest share of these water development funds is the Lower Mississippi area. The Columbia-North Pacific and South Atlantic areas follow in the second and third order. Growing areas of the Nation receive large shares of Federal investments in developing their water resources.

Conserving water and urban growth consequences
The President's new national water policy which emphasizes conservation could affect urban areas and development differently by:

- Bearing down hardest on those regions where overall water use and growth in water needs are most rapid, i.e., the growing regions in the Southwest opening up to intensive urban development and populations growth. These are the "water shortage" regions.
- Stressing more efficient water pricing which is likely to reallocate scarce water supplies from irrigations to other uses, including urban water users.
- Requiring states to pay a share of water projects and encouraging water prices which will cover full project costs. This could reduce the real Federal subsidy of the expansion of urban water supplies in many growing areas of the West, and thereby affect the rate and type of growth in these areas.
- Affecting the locations of urban development and the initial, short term costs of development that does occur in the flood plain. A portion of almost every city in the Nation lies in the 100 year flood-plain.

Overall, the national water policy could lead to a marginal reduction in growth pressures.

The Tilt of Tax Policy Toward Newness

A study by the Urban Institute finds that, more by accident than intent, Federal tax policies have had a substantial impact on the shape of the Nation's urban development. Overall the study found that Federal tax policies have:

- Favored low-density urban sprawl over compact development;
- Accelerated the rate of decentralization in metropolitan regions;
- Favored investment in housing and other structures over alternative investments in the economy;
- Favored the construction of single-family owner-occupied housing over multi-family rental apartments;
- Favored the development of new commercial-industrial, residential, and public buildings over the maintenance and repair of existing structures.

In general, provisions in the Federal tax code have favored new construction and outlying development in suburbs over development in existing neighborhoods, thus contributing to central city housing abandonment, deterioration of existing urban investment, and the decline of central city tax bases.

Perhaps the most consistent bias in the tax code favors investment in new structures relative to investment in the improvement and repair of existing buildings. In many instances, tax regulatory policies have more profound consequences for the placement of investment than any of the grant-in-aid programs, with the possible exceptions of those for highway construction and wastewater treatment.

Effect of Federal Tax System on the Relative Profitability of Investment in New Rental Buildings as Compared with Investment in the Improvement of Old Rental Buildings

Item	Construction of New Rental Building	Improvement of Old Rental Building
Pretax return (assumed)	20.0%	
After-tax return (60 percent tax bracket)	21.6	14.8
After-tax return (30 percent tax bracket)	20.8	17.1

Tax deductions allowed homeowners for interest payments and property taxes have tended in the past to favor high-priced, low-density construction of single family homes. Renters have been disadvantaged. While condominium construction within already developed areas benefits from this incentive, it is essential that this provision in the tax code be evaluated in light of the need to encourage homeownership and upgrading in established urban neighborhoods.

Depreciation schedules tend to favor investments in new construction over rehabilitation by allowing more rapid depreciation of new construction. These same schedules also encourage rapid turn-over in ownership and tend to discourage maintenance. As one tax authority puts it: "The incentive is to build, depreciate, sell, then build again. This creates an inducement to continue constructing new buildings where land is cheap—the land cannot be depreciated—while allowing older buildings to decay."

The Council on Environmental Quality has reported that, in the eyes of some expert observers, capital gains treatment is perhaps the most important Federal tax provision in stimulating the conversion of open rural land to development.

However, the Council has also drawn attention to the need for states and localities to re-evaluate the consequences of their own tax practices. In particular, the structure of local property taxes and the relative emphasis upon improvements must be re-examined. The Council observes that "at present, land in urban areas tends to be undervalued and the improvements on land overvalued for tax purposes. Consequently, landowners in urban areas are discouraged from restoring structurally sound buildings or replacing deteriorating ones with new structures, since such improve-

ments will raise taxes disproportionately. On the developing fringe of urban areas, low taxes on raw land have encouraged speculative purchase and leapfrog development." Site value taxation is an alternative worthy of serious study and debate at the state and local level.

Estate taxes and other elements in the tax codes at each level of government also have an impact on the disposal of land and property.

Use of the tax code to achieve special purposes has sometimes generated windfall profits for a few at the expense of communities and individuals. In determining tax policies appropriate to future national urban policies, it is essential that careful evaluations be made of the possible consequences of any proposed tax code incentives in order to detect possible perverse results in advance.

Shifting Federal Expenditures—South and West

Federal expenditures in several forms have played instrumental roles in affecting regional and local growth. The location of Federal installations, the patterns of Federal procurement, and the distribution of Federal payrolls all affect patterns of regional development. Since the Korean Conflict, there has been a substantial shift in the patterns of procurement and the location of installations and Federal payroll in favor of the Southern and Western regions and away from the older industrial areas of the North and Midwest.

Federal grants-in-aid have become an increasingly important element in Federal expenditures.

Federal grants to state and local governments have existed for a long time, but only recently have they come to represent a significant part of total Federal spending. During the 1950s and 1960s the share was less than 10 percent of all Federal outlays, but since then it has increased rapidly and is projected to reach 17.8 percent in fiscal 1978. Grants to state and local governments for payment to individuals, such as public assistance or Medicaid, will make up a little over one-third of the 1978 total. The remainder consists of grants for education, training, employment and social services; commerce and transportation; community and regional development; general revenue sharing; natural resources, environment, and energy; and a variety of other intergovernmental aids.

Federal aid also represents a growing share of state and local government revenues. State and local dependency on Federal aid has shown periods of rapid increase followed by a slight tapering off, but never has the Federal share dropped back to the level that preceded the growth. The year 1975 apparently marked the beginning of a new growth period, with the ratio of Federal aid to state and local receipts from own sources predicted to reach 35.3 percent in 1977.

Along with the rise in significance of Federal grants in state and local budgets, important shifts have occurred in functional categories. Federal aid for public welfare has increased only slightly as a percentage of state and local own-source revenue since 1954. Grants for education showed a slight increase between 1954 and 1964, with a substantial growth in relative importance since then. Highway grants reached their peak share of state and local revenues in the mid-sixties and have since declined. Grants for housing and community development have expanded significantly but are still small in the overall picture. The most dramatic expansion in Federal aid, especially in recent years, has occurred in general revenue sharing, some of the newer block grants, and grants under the Comprehensive Employment and Training Act. Changes in the composition of Federal grants contribute to the changing patterns of regional allocations.

As of 1975, two regions—the Northeast and the West—received greater percentages of Federal grants-in-aid than their respective population percentages, while the other two regions—the Midwest and South—received smaller percentages than their populations' share. The Midwest's share of Federal aid was also less than its share of national income. For each of the other regions the picture is to some degree mixed.

Total grants per $1,000 of personal income and as a percentage of total general revenue in 1970 and 1975 were highest in the South. The West and the Northeast had the highest Federal aid per capita in 1970 and 1975 respectively. In both 1970 and 1975, the Midwest was lowest according to every measure.

Between 1970 and 1975, the Northeast moved from below the national average to above or approximately even with the national average by all three measures. During the same period, the Midwest remained below the national average in all three measures of Federal assistance, while the West stayed above the national norm for two of the three measures. The South posted above national average figures in grants as a percentage of total general revenue and grants per $1,000 of personal income, but the per capita measure for 1975 was below the national norm.

Although the absolute per capita amounts show the West as the leading region in 1970, the direction of change during the five-year period illustrates

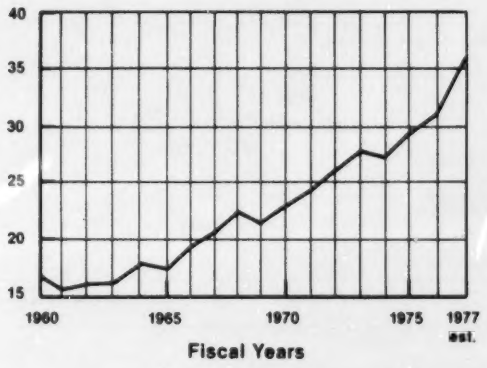
Historical Trend of Federal Grant-in-Aid Outlays (Millions of Dollars)

Year	Grants	Composition of Grants-in-Aid: Grants for Payments to Individuals	Composition of Grants-in-Aid: Other Grants	Federal Grants as a Percentage of: Federal Outlays: Total	Federal Grants as a Percentage of: Federal Outlays: Domestic[1]	Federal Grants as a Percentage of: State and Local Expenditures[2]
1950	$ 2,253	$ 1,421	$ 832	5.3	8.8	10.4
1955	3,207	1,770	1,437	4.7	12.1	10.1
1960	7,020	2,735	4,285	7.6	15.9	14.7
1965	10,904	3,954	6,950	9.2	16.6	15.3
1970	24,018	8,867	15,151	12.2	21.1	19.4
1971	28,109	10,789	17,320	13.3	21.4	19.9
1972	34,372	13,421	20,951	14.8	22.8	22.0
1973	41,832	13,104	28,728	17.0	24.8	24.3
1974	43,308	14,030	29,278	16.1	23.3	22.7
1975	49,723	16,105	33,618	15.3	21.3	23.2
1976	59,037	19,511	39,526	16.1	21.7	24.7
Transition Quarter	15,909	5,122	10,787	16.8	22.6	25.5
1977 Estimate	72,445	23,550	48,895	17.4	23.3	27.5
1978 Estimate	81,682	25,816	55,866	17.8	24.1	28.5

1. Excludes outlays for the national defense and international affairs functions.
2. As defined in the national income accounts.

Sources: *Special Analysis, Budget of the United States Government, Fiscal Year 1978*, p. 273. Estimates for 1977 and 1978 from *OMB Supplement*, March 4, 1977.

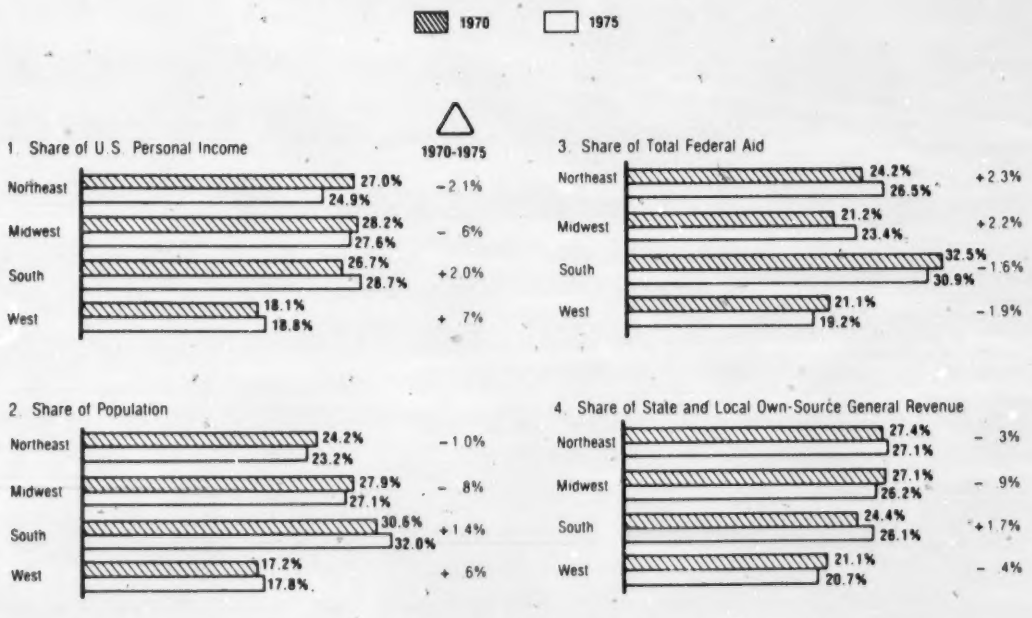
*Ratio of Federal Grants-in-Aid to State and Local Receipts from Own Sources, 1960-77**



*Federal budget outlays for grants-in-aid related to state and local receipts from own sources as defined in the national income accounts.

Source: Advisory Commission on Intergovernmental Relations memorandum on "Fiscal Note," March 16, 1977.

Regional Share of Aggregates, 1970 and 1975


1970
1975
1. Share of U.S. Personal Income
1970-1975
Northeast 27.0% 24.9% -2.1%
Midwest 28.2% 27.6% - 6%
South 26.7% 28.7% +2.0%
West 18.1% 18.8% + 7%
2. Share of Population
Northeast 24.2% 23.2% -1.0%
Midwest 27.9% 27.1% - 8%
South 30.6% 32.0% +1.4%
West 17.2% 17.8% + 6%
3. Share of Total Federal Aid
Northeast 24.2% 26.5% +2.3%
Midwest 21.2% 23.4% +2.2%
South 32.5% 30.9% -1.6%
West 21.1% 19.2% -1.9%
4. Share of State and Local Own-Source General Revenue
Northeast 27.4% 27.1% - 3%
Midwest 27.1% 26.2% - 9%
South 24.4% 26.1% +1.7%
West 21.1% 20.7% - 4%

Distribution of Total Federal Grants by Region, 1970 and 1975

Federal Aid		Northeast	Midwest	South	West	All State Average
Per Capita ($)	1970	117	80	123	151	120
	1975	260	198	220	246	233
Per $1,000 of Personal Income ($)	1970	28	24	40	39	33
	1975	44	35	46	44	43
As a Percentage of Total General Revenue (%)	1970	16.5	14.6	23.3	18.4	18.5
	1975	21.3	19.4	24.2	19.7	21.8
Within Region Range in Per Capita ($)*	1970	86-173	67-155	75-535	117-383	67-535
	1975	205-327	152-312	157-1,009	208-739	152-1,009
Percentage Change in Per Capita Grants and Absolute Change in Per Capita Grants, 1970-75		122	122	79	63	95
		143	109	97	94	113

*Data for each state are presented in Appendix 1.

Sources: Academy for Contemporary Problems staff computations based on the 1970 and 1975 editions of the Department of the Treasury, *Federal Aid to States*, and the 1969-70 and 1974-75 editions of the U.S. Bureau of the Census, *Governmental Finances*.

a relative movement toward a regional balance of Federal aid delivery, reflecting previous policy changes in Washington and perhaps a regionally differential effect of the recession. The differential between the Northeast and the South was reduced between the 1970-75 period with the Northeast actually surpassing the South in the 1975 per capita measure.

This ranking of regions changes when welfare grants are eliminated. The West became highest in 1975, and the Northeast fell to third. Thus, the inclusion of recession-induced grants may not reflect the underlying full employment trend in grants.

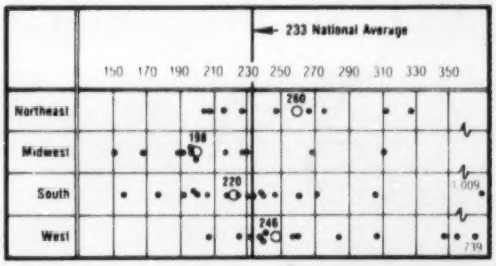
It is misleading to draw inferences from regional data without examining individual state data. While the Northeast received the most money per capita in 1975, four out of nine states received an amount below the national average of $233. Vermont is an outlier with $327, but it is New York's $313 per capita and high population weight that pulls the regional average up.

Only two of 12 states in the Midwest lie above the national average. Even with South Dakota's $312, the variance in the Midwest is fairly low (the lowest of the regions). Almost all of the states are in the same position.

In the South, eight of 17 states lie above the national average. Much of the variance disappears when the District of Columbia is taken out of the region; its grant allocation in 1975 was $1,009 per capita.

In the West, 10 out of 13 states do better than average. Even when Alaska, with $740 per capita, is removed, the West still receives $240 per capita. Without Alaska, the variance is lower than that of the Midwest.

Distribution of Total Grants by Region, 1975 (Dollars Per Capita)



Note: If Washington, D.C. is removed from the South, the regional mean drops from 220 to 211 and the standard deviation falls to 36.6. Similarly, the exclusion of Alaska from the West reduces the regional average to 240 and the standard deviation falls to 28.29.

Source: Academy for Contemporary Problems staff computations based on U.S. Department of the Treasury, *Federal Aid to States*, 1975.

Hidden Development Aspects of Regulatory Policies

Regulatory agencies, almost by definition, have a responsibility to be judicious and nondiscriminatory in their policies with respect to regional equity. While the commissions regulating transportation must consider equity, they are more concerned with maintaining strong national systems than regional or urban balances.

Attempts to have regulators take other national objectives into account, particularly those that affect regional development, have failed primarily because the imposition of such objectives is taken to mean the conscious application of inequities in allowing practices within a regulated industry to vary from one section of the country to another. Regulatory policies have had and do have a profound impact on the patterns of national development, however, because they contain "hidden" development policies. There are development objectives implicitly built into certain regulatory practices. Railroad freight differentials have had major consequences for regional and urban development in the past and regulation of the rails may have helped disadvantage rail freight over motor freight. The steady decline of railroads has had profound implications for many sections of the country

and confounds the attainment of environmental and resource objectives as well.

Regulation of airline rates, has, as one objective, preservation of service into less profitable areas of the country by propping up the rates on profitable routes in order to cover airline costs on unprofitable routes. This has led to both problems and cut-throat competition on profitable routes.

The Interstate Commerce Commission in an attempt to preserve some share of the market for railroads, water carriers, and trucking firms, sets prices for all modes at roughly the costs of the highest cost mode. This policy has been justified on the grounds of protecting a balanced transportation system. Its immediate consequence may have been to keep transportation costs artificially high, thus forestalling the employment of lower cost technologies.

There is some possibility that Federal and state air and water quality regulations—tied ultimately to public health—will reinforce residential dispersal even while other national objectives may require curtailment of that process. It is too early to document fully such a trend, but it is fairly clear that the regulations can contribute to the cost of housing by raising the price of land.

Regional Variance of Income Security

Welfare programs have been presumed traditionally to have had significant influence on the direction of migration flows in recent decades. Present evidence does not indicate any profound effects from the welfare differentials that exist between states on the initial decision of migrants to move. The possibility of employment at the destination or the fact that kin have made the same move seem to more importantly affect that decision. However, there is some evidence that higher welfare payments may persuade a migrant to stay in one area rather than move to another once he has arrived and has failed to find a job.

The regional impacts of different income assistance programs vary. Retirement income is generally dispersed, but with some concentration in the "sunshine" regions, though even this pattern is changing as the number of retirees in such areas as northern Michigan and northern New England is now growing. Other income security payments are concentrated in the poorest counties and central cities where the lowest incomes and poverty have their highest incidence.

The construction and location of sewer and water facilities have had a powerful effect on the cost, pattern and timing of urban development in the Nation's metropolitan areas. In terms of land value, many studies have shown that sewered, vacant land in the surrounding metrpolitan suburban ring is two to four times the value of unsewered land in the same communities.

Specifically, in terms of land use, sewer and water facilities affect land use predominantly by increasing the supply of developable land in urbanizing areas. The amount of increased land supply has been essentially dependent upon "excess capacity"—that is, capacity beyond that needed to handle the peak flow from the present urban population of the particular area served. This feature alone has helped to induce excessive growth and urban sprawl in metropolitan areas. Also, in the past builders and landowners have felt that they can develop land at the urban fringe and use septic tanks and wells with the hope that sewer and water funds would ultimately be available for localities to extend sewer and water facilities and lines.

Thus, like highway policies and programs, sewer and water policies and programs have led to urban decentralization and sprawl. This has been especially true of the wastewater treatment facilities grant program under the Environmental Protection Agency which provides billions of dollars a year in sewer and water facilities. This program has unwittingly contributed to the underwriting of suburban sprawl in metropolitan areas mainly because of its "excess treatment capacity" criteria in the construction of interceptor sewers and treatment plants. Most of the communities benefiting from this program have been in suburban locations.

Federal sewer and water assistance to States and localities, however, can be strategically useful in directing the pace and pattern of growth. In recognizing this, EPA has recently proposed a number of regulations to reduce sprawl which would prevent the creation of unneeded excess wastewater treatment capacity. One regulation will require that population projections for all communities in a given state, when added together, not exceed the projections of the Bureau of Economic Analysis of the Department of Commerce for that state by more than five percent. This population estimate will insure that those wastewater treatment facilities which are built meet only

"reasonable" growth needs. For the same reason, another of EPA's proposed regulations requires that, barring special circumstances, the design period for planning interceptor sewers be limited to twenty years. Finally, in order to protect environmentally sensitive areas, such as wetlands, flood plains, and prime agricultural lands, EPA will discourage collection systems which would encourage new growth on those areas.

In addition to these measures, coordinating the wastewater facility construction program with the areawide water resources planning program and strengthening the role of metropolitan agencies in dealing with central city and suburban wastewater needs on an areawide basis will also help reduce the unintended "thinning out" consequences of past Federal sewer and water policy and program actions.

The "Thinning Out" Consequences of Housing Policy

Over the past thirty years, national housing goals have been translated into the construction of new housing. Relatively little effort was given to conserve existing housing stock, an emphasis now being altered by the present Administration's housing policy. The focus of past FHA/VA home mortgage programs was on building new housing on the unbuilt developable land in suburbia. Along with Federal highway and sewer and water policies, this past Federal housing emphasis has had its noticeable part in forming the concentric circles of racial and economic separation that persist in many metropolitan areas. It has augmented resource and energy intensive suburban sprawl and help misdirected residential development thereby contributing to air pollution, diminishing productive farm land and endangering ground water. Yet, the Housing Act of 1949, as amended, which called for safe and decent housing for all Americans also sought the "development of well-planned, integrated residential neighborhoods and the development and redevelopment of communities."

On the other hand, however, there has been a marked rise in housing quality since 1950 as mentioned earlier. Most of the housing built since 1949 has been located in the suburbs—almost 80 percent. For a majority of American households, the household income devoted to housing cost has declined since 1950. This is in spite of the rapidly escalating housing costs since 1970 identified by the HUD Task Force Report on Housing Costs as a nationwide problem not limited to a few cities or regions. (Much of this increased cost is due to an increase in regulations that deal with financing, environment, land development, housing construction and rehabilitation, the provision of supporting facilities, and, a lack of developable serviced land in many urban areas.) Millions of buyers of this housing have made great use of FHA/VA home mortgage programs, although there has been a decline in use of Federally insured and guaranteed loans to finance homes since 1970 when it was 17 percent for all new units nationwide.

Beyond the sprawl and decentralization of urban areas, past Federal housing policy has also provided an additional, inadvertent incentive to the abandonment of housing and neighborhoods in central cities. Indeed there is a direct connection between suburban housing being built in a metropolitan area and the market for existing housing in already developed neighborhoods. Essentially the rate of new housing production in each metropolitan area affects greatly the provision of adequate housing for low-income households. For example, a housing surplus occurs when the rate of new construction exceeds household formation, which happened from 1970 through 1973 as housing starts soared over 10 million. Since this record production exceeded household formation during this period, a surplus of 900,000 units a year resulted. Most of the surplus remained in the majority of metropolitan areas, which caused millions of households to "filter up" through the surplus while housing vacancies "filtered down." These vacancies became concentrated in the oldest, most deteriorated inner city neighborhoods and have caused accelerating abandonment of these neighborhoods. Thus, the operation of the housing market has contributed significantly to suburban decentralization and inner city deterioration.

Suburban decentralization might be slowed with stringent growth controls by suburban communities to stem the tide of new residents (and the concomitant problem of higher property taxes, pollution and congestion). Also, additional Federal regulations could effect the capacity of the housing industry to satisfy rising housing demands created by expanding household formations. These factors might be a benefit for central cities and inner suburbs since such demands could be deflected toward existing housing with the slow down of new housing production and the rapid increase of its costs.

Still, the process of urban decentralization within the Nation's metropolitan areas will probably continue for some time given the preference and satisfaction of the majority of Americans to live in a suburban environment. Thus, it may become necessary to develop new procedures by means of which new construction can be balanced against rehabilitation not only at the national level, but within each of the Nation's major housing markets. It would also be important to tie together more closely the metropolitan-wide housing

planning with housing plans required for Federally assisted housing and community development and with the non-assisted Federally insured housing programs to assure equitable housing opportunities and sound urban development patterns on a metropolitan-wide scale.

The Lack of a Federal Recreation Policy for Urban Areas

The Importance of Urban Recreation in Communities The economic importance of recreation to communities and cities is underscored in a study by the Rand Corporation, which concluded that policies affecting the quality of local amenities such as pollution control and the provision of cultural and recreational facilities will also affect migration patterns of households and the location decisions of some employers. The study suggests that increasing the attractiveness of residential areas may be more alluring to new industry and commerce than simply reducing taxes. Improved urban amenities are not only desirable for their own sake, to enhance the quality of life for city dwellers, but may also be essential to the economic survival of cities.

President Carter's recreation grant proposal submitted to Congress in May 1978, reflected growing recognition that recreation is closely tied to the quality of urban life. This point was forcefully illustrated in the 18-month study of urban recreation and open space preservation undertaken by the Department of the Interior at the direction of Congress. The study drew these major conclusions:

- There is no existing national strategy to meet vital urban recreational and open space needs.
- Lack of coordination among the Federal, state, and local agencies now providing recreation decreases the usefulness of existing programs.
- Most public recreation programs in most cities are underfinanced, understaffed, limited in scope, poorly distributed, and serve the needs of no more than small segments of the population.

The study reported that indoor and outdoor recreation facilities located close-to-home are important to urban residents, and they are not satisfied with what exists. In all the urban neighborhoods sampled by the study 77 percent of the residents reported dissatisfaction with recreation opportunities. Dissatisfaction approached 100 percent in low income neighborhoods.

The Modest Federal Aid for Urban Recreations Needs Federal money is a potentially powerful but still modest source of aid to urban recreation. The major Federal money for recreation development and open space acquisition is the Land and Water Conservation Fund (L&WCF). Forty percent of the Fund is to be used by Federal land management agencies and since 1965 it has provided nearly $1.2 billion to acquire over 1.6 million Federal acres for the Forest Service, National Park Service, Fish and Wildlife Service, and Bureau of Land Management. Most of these Federal lands were acquired for the purpose of preserving natural areas of unique significance. Few Federal acquisitions, however, were near metropolitan areas, or related directly to the needs, nor is such acquisition specifically directed by the L&WCF.

Up to 60 percent of the Fund is apportioned by Congress to the states. Since 1965, $1.5 billion in Fund money has been matched against state and local funds for acquisition of some 1.6 million acres and for the development of recreation facilities at 14,000 state and local parks.

At the state, as at the Federal level, policies for using the Fund have not specifically been directed to meet the needs of urban areas. Of the ten most populous states (accounting for more than half the Nation's population) only one, Florida, has obligated L&WCF money to urban areas in proportion to the number of people living there.

Overall, the Land and Water Conservation Fund has not provided close-to-home recreation for densely populated urban areas of the Nation. Per capita, more than twice as much Fund assistance has gone to rural as to urban areas; further, within metropolitan areas, suburbs have received twice as much money as the core-city areas. Although a greater absolute share of total L&WCF grants has gone to urban than to rural areas, costs of acquisition in the rural areas are generally much lower. From 1966 to 1977, only 37 percent of the acreage acquired by state and local governments through the L&WCF was in metropolitan areas, where most of the Nation's people live.

Land and Water Conservation Fund
Average Per Capita Obligations,
Fiscal Years 1965-1977
(In Rural, Suburban and Urban Areas)

Area	Population (Millions)	Obligations (Millions)	Average Per Capita Obligation
National Total	203.2	$1,470.7	$ 7.24
Rural (Non-SMSA)	54.9	592.7	10.79
SMSA Total	148.3	878.1	5.92
Central Cities	61.5	238.8	3.88
Suburban	86.8	639.3	7.36

Source: U.S. Department of Interior, National Urban Recreation Study: Technical Reports, Volume 1, Urban Open Space—Existing Conditions, Opportunities and Issues, 1978.

Financially hard-pressed cities often simply cannot afford the 50 percent match required to use the Fund effectively, with the result that the Fund generally assists communities with matching resources, which may not be those with the greatest open space and recreation needs. Finally the L&WCF is statutorily limited to the acquisition of open space and development of new outdoor recreation resources; often, however, the critical needs in cities are for indoor facilities and for rehabilitation of existing facilities.

General Revenue Sharing is also an important source of funds for local parks and recreation, providing about $317 million nationwide in the 12 months ending June 30, 1976, which is about 7 percent of all GRS expenditures. Cities of more than 1,000,000 spent the smallest proportion of these funds for recreation.

The Comprehensive Employment and Training Act (CETA) is playing on important albeit unplanned role in urban recreation. Under the CETA program the Federal government gives financial aid largely by formula to state and local sponsors to conduct employment and training programs. Authorized activities include transitional public service employment. In fiscal year 1976, CETA provided almost half of all Federal dollars spent on parks and recreation in cities and counties. The result has been not simply short-term employment but reliance by the larger, fiscally-troubled cities on CETA-paid employees for maintenance and operation of recreational facilities. Because untrained CETA employees are replacing permanent park and recreation workers, the quality of maintenance and operations is suffering.

The Community Development Block Grant Program (CDBG), a small public works and capital improvement program administered by HUD, has also been a principal source of Federal money for urban recreation and open space since 1974, when it consolidated seven categorical programs of Federal aid to cities, including the old Open Space Program. ($683 million were obligated for acquisition of about 350,000 acres of land between 1961 and 1974 under the Open Space Program.) At present the block grant program provides as much Federal grant money for capital assistance as the L&WCF. In fiscal year 1976 cities and urban counties spent $132.1 million in CDBG funds on recreation. In fiscal year 1976 entitlement cities spent 7.8 percent of their CDBG program funds on recreation; only 4 percent of this total CDBG money was spent on recreation services. In fiscal year 1977 entitlement cities spent 7.6 percent or $135,204,000 of the CDBG program funds on recreation.

The Limited Impact of Community Development Programs in Urban Policy

Most evaluations have concluded that Federal programs intended to directly affect the economic and physical development of urban communities have had the least significant impact when compared to the "hidden" policies implicit in Federal expenditures, regulations, tax provisions, and construction.

Over all, it can be said that the powers of the national government are at their most potent in influencing patterns of urban and regional development when employed to influence the flow of private capital or when large-scale projects involving major Federal participation and requiring substantial purchases of goods and services are undertaken.

Economic and community development programs enacted to contravene the effects of "hidden" policies are insufficient in magnitude to alter the effects of these larger influences.

To be effective such programs must be implemented within a context of general Federal policies that share at least some common objectives and purpose. Such coherence is an essential prerequisite for effective national urban policies.

PLOCK
PARK

1. Making a National Urban Policy: An Interagency Process

"I think we stand at a turning point in history. If, a hundred years from now, this Nation's experiment in democracy has failed, I suspect that historians will trace that failure to our own era, when a process of decay began in our inner cities and was allowed to spread unchecked throughout our society.

"But I do not believe that must happen. I believe that working together, we can turn the tide, stop the decay, and set in motion a process of growth that by the end of the century can give us cities worthy of the greatest Nation on earth."

Address by Jimmy Carter on Urban Policy to the United States Conference on Mayors in Milwaukee, June 29, 1976.

President Jimmy Carter assumed office in January 1977 committed to form new partnerships between the Federal, State and local governments and between the public and private sector for the conservation of America's communities. Early in his Administration he undertook a wide variety of actions to strengthen American cities and improve the lives of those who live and work in them. As recounted in President Carter's urban message to Congress, they include:

- A $2.2 billion cumulative increase over three years in the Community Development Block Grant Program, accompanied by a change in the formula to provide more assistance to the older and declining cities.
- A $400 million a year Urban Development Action Grant Program providing assistance primarily to distressed cities.
- An expansion of youth and training programs and an increase in the number of public service employment jobs, from 325,000 to 725,000. Expenditures for employment and training doubled from FY '77 to FY '79 to over $12 billion.
- A $400 million private sector jobs program included in the proposal to reauthorize the CETA legislation. This initiative will encourage private businesses to hire the long-term unemployed and the disadvantaged.
- A sixty-five percent increase in grants provided by the Economic Development Administration to urban areas.
- A thirty percent increase in overall Federal assistance to education, including a $400 million increase in the Elementary and Secondary Education Act, targeted in substantial part to large city school systems with a concentration of children from low-income families.
- An economic stimulus package, including Anti-Recession Fiscal Assistance, Local Public Works and CETA, which provided almost $9 billion in additional aid to states and cities.
- A welfare reform proposal which, upon passage, will provide immediate fiscal relief to state and local governments.
- A doubling of outlays for the Section 312 housing rehabilitation loan program.
- Creation of a consumer cooperative bank which would provide financing assistance to consumer cooperatives which have difficulty obtaining conventional financing.

But President Carter promised more than a series of new policy initiatives; he promised a comprehensive national urban policy. Speaking before the United States Conference of Mayors while still a candidate, he promised to develop "a coherent national urban policy that is consistent, compassionate, realistic and that reflects the decency and good sense of the American people." To fulfill this pledge, he acted on March 21, 1977 to create the Urban and Regional Policy Group (URPG), an interagency body, and charged it with the responsibility for drawing up an urban policy for his Administration.

Membership on the URPG consisted of the Secretaries of the Departments of Commerce, Health, Education and Welfare, Housing and Urban Development, Labor, Transportation and Treasury. Many other departments and agencies, including the Environmental Protection Agency, the Small Business Administration, the General Services Administration, the Department of Defense, and others, made important contributions to the work of the URPG. Also involved were members of the President's Domestic Policy Staff, the Office of the Vice President, the Intergovernmental Relations Staff, and the Office of Management and Budget. As the "urban conveyor" for the Executive branch, the Secretary of the Department of Housing and Urban Development was asked by the President to lead this interagency policy group.

The URPG organized itself to undertake its difficult and unprecedented task. Several task forces were created to develop policy in particular functional areas: economic development, transportation, neighborhoods, public finance, redlining, employment, and States and regions. Frequent meetings were held in which top Administration officials collaborated for the first time in a unified urban policy making process. Numerous experts within and outside of government were consulted as the effort to define urban problems and alternative solutions proceeded. Ideas, suggestions, and comments were elicited from public and private groups, community and minority leaders, and academic scholars. As described in more detail in a later chapter, various forums were held in each region of the country, and Federally-sponsored

meetings with top corporate, business and labor leaders were convened to provide policy makers with first hand accounts of urban problems. Numerous staff meetings at the White House with state and local officials, minority community leaders, and neighborhood representatives provided additional contributions to the national urban policy making effort. Altogether, it is estimated that over 10,000 citizens were involved in these consultation processes.

By the end of October 1977, the URPG produced a rough draft of a document that was revised and issued on November 15, 1977 under the title, "Cities and People in Distress." This document was widely reported upon in the mass media. Hundreds of copies were distributed for review and comment to organizations of state and local government officials, public interest groups, civil rights groups, academics, business and labor groups and others.

On the basis of the URPG's document and the comments received, Secretary Patricia Roberts Harris and Domestic Policy Advisor Stuart Eizenstat prepared a joint memorandum for the President summarizing the URPG urban problem analysis and its recommended policy principles and objectives. President Carter approved the principles and objectives and directed the URPG to evaluate existing Federal urban programs as well as new urban initiatives for conformity with these emerging national urban policies.

In directing the URPG to examine existing Federal urban programs, President Carter recognized that no amount of new urban assistance could match the already considerable sums of money being spent by the Federal government to aid states and localities, and so, he proposed to marshal these resources toward the achievement of his objectives. With the assistance of the participating agencies, the URPG weighed existing programs in relation to the President Carter evolving urban policies and produced numerous recommendations for improving them. None of these improvements required new budgetary authority; most can be adopted by administrative means, and only a few require legislative action. With the adoption of these improvements, Federal urban programs will be more responsible, more efficient, more coordinated and more supportive of the Nation's urban areas.

The URPG also considered numerous new urban program initiatives submitted by the participating agencies for inclusion in the President's urban policy package. These new initiatives fell into five policy clusters: a) coordination, simplification and reorientation of Federal, state and local government activities, b) fiscal assistance, c) employment and economic development, d) community and human development, and e) equal opportunity. The URPG's policy principles and recommendations are discussed in more detail later.

On March 15, 1978, the Secretary of Housing and Urban Development formally presented the work of the Urban and Regional Policy Group to the President. The presentation focused upon the URPG's problem analysis, its assessment of existing programs, its policy recommendations and its proposed strategies. On March 27, 1978 President Carter presented his urban policy to the Nation. With its presentation, he moved another step closer to the fulfillment of his commitment to forge new partnerships to conserve America's communities.

For the first time in its history, this country now has as explicit urban policy. This policy articulates shared aspirations for the future of urban people and places. Individuals in and out of government have a standard against which to evaluate their actions and the actions of the institutions with which they are affiliated. Voluntarily and without central direction, they are able to blend their efforts with the efforts of others who are committed to the realization of these aspirations. Through the creation of new partnerships, they may begin to work together to realize their aims.

The chapters that follow describe the steps taken by the Carter Administration to involve citizens from all parts of the Nation in the formulation of the national urban policy, the principles evolved to guide urban policy-making, and the policy objectives formulated by the URPG along with strategies for meeting them. The President's message to Congress outlining his urban policy is reprinted in Appendix B. The report concludes with a brief discussion of the next steps that must be taken now that a national urban policy has been put forward.

Development of the President's national urban policy followed an open policy-making process. Numerous ideas, suggestions and comments were elicited through a variety of forums, meetings and surveys. While all specific suggestions made during this dialogue cannot be reflected here, it is possible to summarize some of the conclusions arising out of these discussions.

Dialogue With Citizens Ten two-day hearing and workshop sessions were held in May and June 1977 in Boston, New York, Philadelphia, Atlanta, Chicago, Dallas, Kansas City, Denver, San Francisco, and Seattle. Top officials of the Administration heard the views of 400 participants and some comments from 2000 others who attended the open sessions. In addition three special forums were held in early 1978 with a broad spectrum of "equity" group representatives, that is, racial minorities, women, the aged, the handicapped, representatives of ethnic neighborhoods and the urban poor.

Several common themes emerged:

- The level of citizen and community frustration over the management of Federal programs is high. Coherence, flexibility, the ability to tailor Federal aid to specific community needs, and a reduction in red tape and needless regulations were persistently urged in every forum.
- Federal assistance to communities must acquire greater human sensitivity and be more responsive to the special role of neighborhoods in making successful communities. Human dignity and self-respect should not be cold-shouldered by aseptic programs that have little human relevance at the community level.
- There was a strong belief that the declining central cities must be revitalized. Participants in the Atlanta Citizen Forum pointed out that many southern cities are suffering from problems of decline in their central areas. Participants in the West and Southwest agreed, but urged that the special problems and pressures in rapidly-growing areas must also be recognized.
- The representatives of the disadvantaged called for expanded equity and choice and a greater business participation for minorities and women in all federally supported programs.
- Many representatives from smaller cities urged that national urban policy recognize the special difficulties they confront, whether growing or declining, abruptly vulnerable to change. They were concerned with the so-called "urban shadow"—the sprawl of scattered housing and commercial development in rural areas beyond the urban fringe that consumes agricultural land and imposes special burdens on local governments.
- In Texas, the Rocky Mountain States, and the Northwest, the construction of "boom towns" in connection with energy and resource development is a special concern of state and local governments. They asked for some recognition of this special problem in Federal urban policy.
- A new and stronger emphasis upon urban economic development was pressed by a wide spectrum of participants: bankers, neighborhood representatives, state and local officials, business groups, and nonprofit organizations. A Newark official insisted that urban priorities are presented "inverted" and that top priority must be assigned to job development, a view supported by the Chairperson of the Harlem/East Harlem Policy Committee and many of the equity forum participants.
- There was some consensus that national urban policy should emphasize urban conservation over new construction. This was especially recognized in the equity forums in San Francisco and Chicago with the displacement issue strongly underscored.
- And there was a growing call for new partnerships between the private and public sectors to attack a wide range of urban problems.

Citizen Interviews During the summer and fall of 1977, a series of interviews with nearly 1800 community, state, business, labor, and civic leaders in each of the country's major regions sponsored by the Department of Housing and Urban Development and the Department of Commerce found similar sentiments:

- Throughout the country, the era of high antagonism between business, labor government and community organizations appears to be ending. There is a growing movement toward cooperation on community problems among these sectors and they take a wide variety of forms.
- Perhaps in response to the difficulties of two back-to-back recessions, the stress upon economic development as top priority in urban development was far greater than it might have been in the 1960s.
- Because of the considerable variations in community and regional problems from one section of the country to another, there was a widespread conviction that national urban policies must provide mechanisms by means of which that diversity can be recognized. There is fear of any attempt to define monolithic or standardized approaches to urban and regional problems when, in fact, they are quite different from area to area.
- Because of slower economic growth rates and rising costs, public programs must now be more carefully targeted on specific objectives. The management

of the public sector must be greatly improved to meet the merging needs in each section of the country. And there should be an attempt to use public investments so that they "leverage" increased private investment in urban communities.

- Counter-cyclical training programs should be replaced with programs designed to get the structurally unemployed into mainstream, permanent jobs.
- More emphasis must be placed on the upkeep and renovation of existing urban investment which, in many sections of the country, is deteriorating rapidly and reinforcing private disinvestment.
- Some communities are now stymied by stand-off conflicts between their environmental, social, and economic objectives. We need to decide how to decide. Some portion of urban and regional decline is traceable to political inaction deriving from these stalemates. New mechanisms, short of the courts, are necessary to reconcile these conflicts as quickly as possible in each area of the country.

The Corporate Voice Certainly, decisions made by businesses and corporations have a profound impact upon the urban condition. To gain insight into the determinants of these decisions, urban policy planners made an effort to reach out to the corporate and business community. Through surveys, interviews, and corporate forums held in four cities, they elicited the views of more than 200 corporate leaders on national urban policy issues. These leaders represented a wide range of businesses and industries in all parts of the country. Despite their diversity, however, they agreed on many key points.

Specifically,

- The corporate participants cautioned against addressing urban growth and development issues with a programmatic, piecemeal approach. Instead, they urged the creation of a comprehensive urban policy and an ongoing coordination process.
- They advocated the continuation and expansion of the dialogue between the public and private sectors regarding urban issues.
- They believed that an expanded downtown business economy, based on the service and knowledge industries, could generate the new employment opportunities that central cities require if the Federal government leveraged the necessary private investment.
- They expressed deep concern for the failure of the public education system which they linked with unemployment, crime and urban deterioration.
- They strongly supported a metropolitan-regional approach to the future of America's cities. A regional view was essential, they argued, if the problems of rapid growth were to be treated as seriously as those of rapid decline.
- They urged removal of Federal incentives for urban decentralization and sprawl development and strengthening of incentives for the kinds of employment, housing and amenities needed for urban economic recovery.

State and Regional White House Conferences During the fall of 1977, a series of state and regional White House Conferences were held throughout the country as a prelude to the White House Conference on Balanced Growth and Economic Development in Washington, D.C. in January 1978.

While findings in these deliberations were many and diverse, the states produced some common views useful in considering a future framework for national urban policy:

- The states do not see any need for the Federal government to assume responsibility for fashioning a formal national growth policy. Asserting that private investment decisions essentially determine the patterns of national growth, the states did recognize, however the critical role that Federal and state actions play in influencing the extent and location of private business activity and job opportunity. They therefore call for new forms of Federal-state partnership in exercising their separate powers cooperatively as they affect growth and development in any particular part of the country.
- The states complain about Federal inflexibility, sudden policy shifts, overly-detailed administrative arrangements, weak or nonexistent data underpinning Federal decisions, and program duplication.
- By and large, the states argue for "neutrality" in Federal policies that affect investment decisions, but when long-term trends result in growth or decline, they strongly favor some forms of Federal involvement to mitigate the impacts private sector decisions. They argue that stresses caused by unbalanced economic activity are widely apparent in declining central cities and rural counties as well as rapidly growing small towns and energy boom towns. Regardless of the cause, the resulting imbalance in public services and facilities outstrips the fiscal capacity and economic base of the affected units of government.

Among specific proposals advanced by the states as a result of these conferences are:

- That Federal expenditures should be weighed in terms of their geographic impacts and should reflect national development priorities.
- That the growth potential of new government facilities and public works projects should be thoroughly evaluated before final decisions on location are made.
- That private firms should be closely involved in the development of job training programs.

- That access to capital, possibly through a Development Bank, should support long-term financing for infrastructure and economic development programs.
- That states should seek means for sharing the state-wide tax base equitably.
- That the Federal government should enhance cooperation among levels of government, using existing structures and mechanisms and possibly offering incentives.
- That multistate commissions should be strengthened to deal with regional economic problems such as energy, transportation, and agriculture.

White House Conference In late January 1978 the White House Conference on Balanced National Growth and Economic Development brought together over 500 citizens from all sectors of American society to debate, discuss and arrive at conclusions on the growth and development issues facing the Nation. The 1978 National Urban Policy Report was purposely delayed in order to obtain the views of the delegates and participants in this national town meeting.

Despite the diversity of the participants, several dominant themes emerged from their discussions:

- The participants emphasized the overwhelming importance of achieving full employment, both through macroeconomic policy and through subnational programs targeted to alleviate structural unemployment.
- They also underscored the role and importance of the private sector as the predominant source of new employment opportunties and the need to bring the private sector into a creative and cooperative partnership with Federal, state and local governments in efforts to achieve national objectives, and particularly the full employment objective.
- The participants gave high priority to measures to invigorate local economies through incentives to induce private sector economic activity in distressed areas.
- They expressed little support for public policy efforts to reverse basic economic and demographic trends; yet, they also frequently endorsed the view that public policy should be oriented to stimulating job opportunities in areas where people currently reside rather than encouraging inmigration of workers to areas of greater job availability.
- The prevailing sentiment of the Conference was that we are one Nation and that political fragmentation which plays off interests of different geographical sectors (e.g., sunbelt vs. frostbelt; urban vs. rural) is detrimental to the economic welfare of the country as a whole.
- Conference participants acknowledged the need to target Federal funds and efforts to distressed areas (and groups of people) regardless of regional or urban-rural characteristics. In particular, there was support for targeting to inner sections of cities, older towns, distressed rural areas, and areas impacted by rapid growth.
- They also acknowledged that Federal policies need to give greater recognition to the diversity which exists among areas of the country and local economies.
- They recognized the need for decentralization of decision-making and administrative control over federally-funded programs. The Federal government was urged to move towards a system of greater local discretion and evaluation through performance standards rather than centralized decision-making and lengthy application procedures.
- They also recognized a need for increased state responsibility for the fiscal problems of their localities, for the economic development concerns of distressed areas, and for a more active role in growth management.
- They emphasized the need to improve the structure and operations of state and local government, including the desirability of areawide cooperation and tax-base sharing in metropolitan and rural areas and the development of multi-state regional institutions which permit public and private sector representatives to devise regional strategies.
- They made very few recommendations for substantial expenditure of additional Federal monies to support growth and development activities; but instead recommended reassignment among levels of government of the responsibility for financing various functions (greater Federal responsibility for welfare and Medicaid, greater state responsibility for education). However, it should be noted that these reassignment recommendations would entail signficant increases in Federal outlays.
- The participants expressed a pervasive sense of dismay and frustration directed at the insensitivity of Federal regulations and prevalence of red tape.
- Finally, they recognized that existing national policy processes are not adequate to meet the growth and development challenges the country faces and that improved processes, perhaps in the form of a national growth policy process, will be required. Such a process should involve all levels of government and include citizen input. It should result in clarification of national goals; better forecasting and projection capabilities to enable the Nation to anticipate problems; improved analysis of policy alternatives; better policy coordination within and among levels of government; more sensitivity and rational trade-offs

among multiple objectives and programs; and integration of policy and program evaluation more centrally into the policy process.

Nationwide Polls Several polls were commissioned to ascertain the feelings of Americans about their communities. One independent poll by Cambridge Reports, Incorporated, was made available to delegates at the White House Conference. The poll ranged over a large number of issues relevant to the Conference, but it did find a majority of those interviewed—63 percent—supported Federal job aid to places where people are unemployed, while only 20 percent felt that the Federal government should encourage unemployed people to move to places where jobs were more readily available (and 17 percent responded "don't know"). It also found that 48 percent supported encouraging people and industry to locate in large, declining central cities while 28 percent were opposed (and 24 percent responded "don't know").

The National Urban Policy and New Community Development Act calls for a national urban policy that among other objectives will "encourage the wise and balanced use of physical and human resources in metropolitan and urban regions as well as in smaller places." The challenge for a national urban policy is to achieve balance among strongly held and sometimes conflicting national objectives. These objectives include:

- Economic growth which provides opportunities for employment and an adequate standard of living for all Americans;
- Equity or fairness in access to the benefits of growth and development for all citizens and areas within the Nation;
- Protecting environmental quality;
- Conservation and judicious use of physical and human resources; and
- Efficient and responsive government and a strong and involved private sector.

In seeking balance among these objectives, the national urban policy put forward by the Carter Administration observes the following principles:

1. National urban policy must be developed within the context of the basic population and economic trends affecting urban areas and recognize that decline in population densities in the Nation's urban centers will continue and cannot be easily reversed.

This report identifies a number of major population trends including the dramatic slow down in the Nation's overall population growth rate since 1950, the population migration from the Northeast and Midwest to parts of the south and west, the decline in metropolitan areas compared to new metropolitan areas, the rapid increase in the number of households, the continuing racial segregation in nearly all metropolitan areas, the phenomenon of an emerging older U.S. population and the preference of the majority of Americans to live in a low density suburban environment. On the economic side the Report identifies the decentralization of manufacturing to suburbia and rural areas exacerbating unemployment among the unskilled workers living in low income city neighborhoods.

2. National urban policy must recognize that urban trends and urban policies have improved the quality of life for the majority of Americans but not the minorities of urban residents trapped in poverty areas.

The housing quality in the Nation has risen since 1950. For a majority of households there has been a

decrease in the percentage of household income devoted to housing costs. Over the past three decades there has been a rise in real incomes to help raise the standard of living of most residents of metropolitan areas. This has enabled the massive growth of relatively low-density suburbs which have played a key part in upgrading housing neighborhoods and other facilities. At the same time, social and economic cost have been imposed on the minority of people concentrated in poverty areas. This minority experiences more unemployment, more street crime, inferior public schools and less desirable neighborhoods than the majority of Americans.

3. National urban policy must reflect the diversity of American cities and their problems.

American cities are characterized by diversity. While cities share many common problems, each city is unique. Cities differ from one another in their social, economic and physical characteristics and in the range and intensity of their problems. Because each city is unique and not all cities share the same problems, a national urban policy must offer programs tailored to a variety of circumstances.

Some cities are experiencing rapid growth, some stability, and some decline. Growing cities may need assistance in managing growth and development, preserving open space, and assuring equal opportunities to all who wish to reside in them. Stable cities may need assistance in preserving their assets and warding off the possibility of decline with age. Declining cities may need assistance in revitalizing their economies and adapting to their changing economic functions. It should be the aim of a national urban policy to assist cities and suburbs in meeting the respective needs of their jurisdictions.

4. National urban policy must reflect a comprehensive set of Federal commitments.

Because cities in different circumstances face different problems, a national urban policy must be comprehensive. It must deal with the problems associated with urban growth, stability and decline; it must deal with the problems of people as well as places.

A national urban policy can be comprehensive, because the range of Federal responsibilities is very broad, and the Federal government is organized to address different problems at the same time. While one Federal agency addresses the problems of urban education, another concerns itself with inadequate housing, and another, obsolete transportation facilities. By providing a clear statement of objectives, a national urban policy makes it less likely that these actions will work at cross-purposes with one another.

A national urban policy must be comprehensive because urban problems and their solutions are interrelated. Some problems—like decaying buildings and outdated water and sewer systems—are problems of places. Others—like unemployment and poverty—are problems of people. Cities with deteriorating physical facilities will have difficulty attracting the investment needed to create new employment opportunities. A comprehensive policy makes it possible to address both simultaneously—for example, by linking job problems with community development activities.

5. National urban policy must present a carefully articulated set of priorities.

While the Federal government can undertake action on many fronts simultaneously, its actions must be guided by a clear set of priorities. More resources must be devoted to the problems of people and places in the greatest need. To stretch available Federal resources, priority must be given to those expenditures that leverage the maximum amounts of additional public and private sector resources.

Because conditions change, a national urban policy must be subjected to continuous review, so that changes or modifications can be made as required. Priorities must be applied to existing as well as new programs, so that the total Federal inventory of urban programs reflects national policy objectives.

6. National urban policy must reflect the commitment of the Federal government to play a central role.

Over the past three decades or so, our view of the Federal system has changed. Now that many of the social and economic problems that cities face originate outside of their own boundaries, urban problems have become national problems; and the Federal government's responsibility for helping cities and their needy residents is no longer questioned. Increasingly, the Federal government has assumed the responsibility for defining national objectives and providing the resources necessary to carry them out. Debate focuses upon what national objectives should be, what strategies should be used to achieve them, what ground rules should govern the use of Federal aid, and how relationships among levels of government should be structured. If it is to provide the necessary direction, a national urban policy must address these concerns.

7. National urban policy must reflect the involvement of state and local governments during every phase of its formation and implementation.

Despite the importance of the Federal role in urban policy, it is clear that urban problems were not created, nor can they be solved, by Washington alone. State constitutions and statutes govern local government structure, boundaries, taxes, and land use. Many states now supply cities with large amounts of direct and indirect aid. Encouraging increased state involvement in finding solutions to urban problems is essential to the success of a national urban policy.

Because cities differ depending upon their location, size, age, and population mix, local officials rather than state or Federal officials must be relied upon to identify local needs and priorities. Local government officials are increasingly responsible for the sound and responsive administration of many national programs. They are also frequently responsible for assuring that local citizens have ample opportunities to influence how those programs are administered. Without the commitment and cooperation of local government officials and involved citizens, no effective national urban policy is possible.

8. National urban policy must reflect the need to strengthen substate, regional and metropolitan institutions.

Many problems faced by older central cities and newer suburbs do not end at their boundary lines. Yet, we have only begun to develop institutions that can deal with metropolitan, substate or regional issues. For urban policy to succeed, institutions able to cope with areawide problems must be developed and strengthened.

9. National urban policy must reflect a strong and affirmative partnership between the public and private sector.

Federal, state and local funds, no matter how plentiful, will not be enough to solve our urban problems. The private sector must help. Only it can provide the capital needed for rebuilding and growing; only it can carry out the large scale development programs necessary to provide healthy local economies.

We must carefully plan the total range of Federal, state and local actions in order to secure the most effective participation of the private sector. We can no longer afford to have economic subsidy programs and tax laws working at cross purposes. Urban policy must provide incentives to influence business decisions in the direction of our urban goals.

10. National urban policy must reflect the potentially significant role of the neighborhood in city building and rebuilding efforts.

Many neighborhood groups around the country have begun successful, innovative community planning and neighborhood revitalization activities. This trend should be encouraged by the Federal government. Neighborhood residents and groups are the ones affected most directly by revitalization efforts. They are closest to some of the problems and often best able to judge what solutions will be most effective. No urban policy can succeed if it ignores the views of neighborhood people and groups and if it does not secure their continuous involvement in varied neighborhood improvement efforts.

4. The President's Urban Policy

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On March 27, 1978 President Carter announced an Urban Policy entitled "A New Partnership to Conserve America's Communities" which was based on the input of the URPG and the open debate described earlier. It was the first time a President had articulated a comprehensive set of policies to guide Federal actions and programs for urban America. It meets the challenge for a national urban policy mandated by the National Urban Policy and New Community Act, as amended in 1977.

The Urban Policy calls for a New Partnership which recognizes Federal responsibility and leadership for helping urban areas including cities, counties and other communities. Just as importantly, it calls for the combined effort and resources of all levels of governments, for private sector, and neighborhood and voluntary organizations to conserve and strengthen the Nation's communities.

For states this entails redirecting its resources to urban needs; for local governments it involves streamlining and coordinating their delivery of resources; for the private sector it explicitly implies using all governmental resources as a lever to encourage the private sector to invest in the strengthening and conserving of America's communities; and at the neighborhood level it involves actively engaging citizens in the revitalization of their communities.

The "New Partnerships" Urban Policy is wide ranging in scope. It also recognizes the need to conserve and strengthen the existing urban environment of communities, especially given an age of increasing scarcity and decreasing resources. It consists of an integrated set of objectives or commitments to urban America.

These policy objectives include:

- Encouraging and supporting effort to improve local planning and management capacity and existing Federal programs.
- Encouraging states to become partners in assisting urban areas (i.e., cities, counties and other communities).
- Stimulating greater involvement by neighborhood and voluntary associations.
- Providing fiscal relief to the most hard-pressed communities.
- Providing strong incentives to attract private investment to distressed communities.
- Providing employment opportunities, primarily in the private sector, to the long-term unemployed and disadvantaged in urban areas.
- Increasing access to opportunity for those disadvantaged by a history of discrimination.
- Expanding and improving social and health services to disadvantaged people in cities, counties and other communities.
- Improving the urban physical environment and the cultural and aesthetic aspects of urban life.

URBAN POLICY OBJECTIVE NO. 1

Encourage and Support Efforts to Improve Local Planning and Management Capcity, and the Effectiveness of Existing Federal Programs by Coordinating These Programs, Simplifying Planning Requirements, Reorienting Resources, and Reducing Paperwork.

Policy Statement:

In recent years, many cities, even the most troubled, have improved their management and planning capabilities. But many mayors and city managers say that they still have a long way to go before they can establish comprehensive policies linking economic and community development matters with social service and environmental concerns.

Cities need help if they are to improve their capacity to understand their needs and devise fair and efficient solutions to their problems; and the Federal government should provide funds for the supplemental management, planning and technical assistance that they require. For all cities, the Federal government should encourage development of comprehensive policies and strategies for dealing with economic, community development, fiscal, social service and environmental needs. In addition, the Federal government should improve the management capacity of local governments by strengthening city hall's coordinative role regarding Federal aid used inside city borders.

Strategies for Implementation The Administration will consider the following steps:

- Simplifying planning requirements and providing more flexibly tailored planning aid.
- Consolidating overlapping authority for technical assistance.
- Channelling Federal assistance to cities that prepare comprehensive plans.
- Assisting city hall to coordinate use of Federal programs within its boundaries.

Policy Statement:

Many past Federal urban programs have not met expectations and funds have not always been spent as efficiently as possible. Coordinating among government agencies in administering urban programs has

been more a hope than a reality. Federal highway programs, purchasing policies and tax incentives have often undercut programs designed to promote healthy urban environments.

Our ability to help cities depends in large measure on our ability to correct these past weaknesses. It is essential that we manage existing Federal programs more effectively than in the past. Further, we must make sure that Federal actions affecting cities are aimed at consistent objectives. The Federal government must develop the capacity to evaluate the impact on cities of all key Federal actions (including those not directly related to cities). The Federal government must be willing to amend, change or abolish government actions not consistent with national urban policy.

In addition, future actions must be measured carefully in terms of their impacts on urban areas and urban problems. All government actions should be evaluated ahead of time with respect to possible urban impacts and, to the extent possible, be shaped and carried out in a manner consistent with an overall urban policy.

Strategies for Implementation To improve the administration of Federal urban programs, the White House can play a major role. It will:

- Arrange frequent meetings of senior officials and staff members from agencies involved in urban policy to evaluate policy effectiveness;
- When necessary, give the involved agencies the direction to assure a coordinated response to urban policies;
- Continuously monitor efforts of the various agencies to carry out urban policies;
- Continuously evaluate major agency actions before they are carried out to assure that, where possible, such actions support urban policies;
- Review and, if necessary, change programs to make sure they remain consistent with statutory objectives and urban policies.

URBAN POLICY OBJECTIVE NO. 2

Encourage States to Become Partners in Assisting Urban Areas

Policy Statement:

States are often in the best position to solve some of our urban problems. Fiscal and social problems resulting from political fragmentation in urban areas can be resolved only in the statehouse. Only there can municipal responsibilities be brought more in line with revenues. Only on the state level can new regional and metropolitan approaches be created for providing and financing services.

States must play an important part if urban policies are to be successful, and the Federal government should grant the states a major role in defining and carrying out national urban policy.

Strategies for Implementation Each state is different. Institutions laws and problems differ from state to state, so not all will be able to respond immediately to the call for cooperation with the Federal government in implementing urban policy. Nevertheless, Federal incentives should be offered to encourage states able to participate in urban policy to do so. At a minimum, the Federal government should provide states willing to develop and carry out urban policy flexible supplemental funds to implement urban programs.

In exchange for this Federal aid, states would carry out policies to help distressed cities respond to pressing fiscal and economic problems. They would also assist such cities initiate long-term economic development strategies.

URBAN POLICY OBJECTIVE NO. 3

Stimulate Greater Involvement by Neighborhood Organizations and Voluntary Associations

Policy Statement:

National urban policy must be sensitive to the fundamental social ties that bind human communities together by placing a clear new emphasis upon the restoration of a sense of community through the reinforcement, and preservation of neighborhoods.

Neighborhood and voluntary groups have already begun impressive efforts to renew their communities in many parts of the country. Despite lack of funds and, at times, lack of support from outside the community, neighborhood-based revitalization activities have shown signs of success.

The Federal government should help strengthen and expand neighborhood and voluntary group efforts at self-help. It should encourage cities to grant neighborhood and voluntary groups the opportunity to participate in planning and implementing community-oriented programs. It should also encourage cities to use the knowledge and energy of neighborhood volunteers and the expertise of neighborhood group leaders and staff.

Strategies for Implementation The Federal government, with the concurrence of local city officials, will provide funds to neighborhood groups. The money would be used to:

- Provide citizen training programs for specific projects.
- Provide support for pilot projects aimed at demonstrating new techniques for renewing neighborhoods or delivering services.
- Provide support for well-managed Community Development Corporations.

URBAN POLICY OBJECTIVE NO. 4

Provide Fiscal Relief to the Most Hard Pressed Communities

Policy Statement:

Cities in grave fiscal straits must get the fiscal support they need immediately. Delay in responding to their needs will make their problems worse. The Federal government, working with state and local governments, should take steps to strengthen the fiscal vitality of cities. In this context, reform of the intergovernmental aid system is essential. Duties and funding responsibilities of each level of government should be critically examined and changes should be made, where necessary and feasible, to close the current gap between city needs and city resources.

Strategies for Implementation Efforts to help distressed cities respond to their immediate fiscal problems should include:

- Increased targeting of block grant and countercyclical aids on communities and people needing immediate help.
- Development of coordinated Federal, state and local plans for financial aid.
- Revision of Federal and state responsibilities for financing public services to reduce unfair fiscal burdens on distressed communities.

URBAN POLICY OBJECTIVE NO. 5

Provide for Strong Incentives to Attract Private Investment to Distressed Communities

Policy Statement:

In a dynamic economy urban areas will always change. Some cities will lose people and firms while others will gain. The health of urban economies is not so much a function of the level of population or employment as it is of retaining a reasonable balance between the two. Unfortunately, many cities have been unable to maintain such a balance. They face both population loss and high rates of unemployment, both prime symptoms of distress.

The Federal Government will act to assist communities with these problems. Help must be provided to conserve and strengthen community economic bases and to promote the orderly and healthy evolution of urban economies so that they encompass diverse and balanced industrial, business and commercial functions.

Strategies for Implementation With appropriate help, some distressed cities may be able to secure large numbers of new businesses or industries. Others will not.

The Federal government's immediate efforts should help troubled cities: (1) retain existing businesses and industries; (2) stimulate the expansion of existing firms; (3) increase business opportunities for local businesses and firms; (4) expand business opportunities for local residents; and (5) where feasible, compete on a more equal basis for newer firms.

In general, Federal aid would be premised on carefully prepared local economic development strategies. These plans should:

- Reflect an understanding of the needs of existing and prospective firms and the markets for different types of business;
- Reflect city commitments to maintain and upgrade public infrastructure, and, in general, to create a more positive environment for private enterprise; and,
- Reflect appreciation of the need to increase job opportunities for the chronically unemployed through the inducement of major new private investment and the implementation of targeted job programs.

Specific Federal strategies for distressed cities include:

- Amending the Federal tax code to eliminate incentives that foster decentralization and to provide incentives that foster business location or expansion in older urban areas.
- Targeting existing Federal assistance programs for economic development on communities facing severe economic distress. In particular, tax-exempt industrial revenue bonds should be available for financing investments only in such distressed communities.
- Modifying Federal spending for goods and services to help businesses in troubled cities survive and expand their operations.
- Providing new financing incentives to influence the private sector to invest in distressed cities. These incentives could comprise both flexible grants and

low-cost, long-term credit for business investments in distressed communities.

- Coordinating environmental improvement programs with community development and economic assistance aids.
- Providing more Federal support to local government initiated economic development activities in distressed cities.
- Increasing minority participation in the economic development of cities and neighborhoods through more effective encouragement of minority enterprises.

URBAN POLICY OBJECTIVE NO. 6

Provide Employment Opportunities, Primarily in the Private Sector, to the Long-term Unemployed and Disadvantaged in Urban Areas

Policy Statement:

National urban policy faces no greater problem than that of providing jobs for millions of jobless men and women isolated in urban areas. In the absence of concerted innovative and effective Federal actions, the most optimistic projections indicate that unemployment among minorities and the poor will remain high for years.

The Federal government will assess current Federal job training and job creation efforts and monitor recent program changes aimed at increasing assistance to the long-term unemployed. Also, it will forge new partnerships with the private sector to open up permanent jobs for those now out of work. At the same time, it should acknowledge and meet the need for public service job creation efforts.

Strategies for Implementation Specific strategies for increasing job mobility include:

- Expand use of private sector training subsidies and similar means to increase the number of jobs available to the chronically unemployed, regardless of location.
- Increase job opportunities for the unemployed in private sector neighborhood revitalization and housing rehabilitation efforts.
- Target current government job training and job creation programs to those most in need.
- Develop improved transportation access to "decentralized" jobs.
- Develop better information collecting and dissemination techniques concerning available jobs.
- Provide increased opportunities for unemployed workers from high unemployment areas to migrate to jobs in low unemployment areas.
- Coordinate and target assistance to help minority firms and businessmen and women.

URBAN POLICY OBJECTIVE NO. 7

Increase Access to Opportunity for Those Disadvantaged by a History of Discrimination

Policy Statement:

Major progress has been made in ending overt discrimination in this country. But more subtle kinds of racism impede the progress of minorities. Public and private sector discrimination still limits minority housing, job, neighborhood and community services choices.

The Federal government must play a lead role in eliminating racism. It should use the full legal and financial powers of the Federal government to this end.

Strategies for Implementation The Federal government should initiate several anti-racism strategies:

1. The White House and Congress must continue to speak out against racism and take the lead in educating the public on racism's economic, social and physical costs.
2. The Federal government will take steps to strengthen enforcement of current equal opportunity and affirmative action laws.
3. The Federal government will enforce stronger equal opportunity and affirmative action guidelines government current Federal aid programs.

URBAN POLICY OBJECTIVE NO. 8

Expand and Improve Social and Health Services to Disadvantaged People in Cities, Counties and Other Communities

Policy Statement:

Social service delivery systems in many cities and communities fail tests related to quality, equity efficiency and accessibility. Many communities are facing escalating social and health services demands from an increasing number of less advantaged residents and neighborhood groups. Yet there are insufficient resources to meet this demand.

Strategies for Implementation The Federal government will act to improve, extend and expand Federal assistance to cities, counties and other communities by the following:

1. Provide for a strengthened and more comprehensive health delivery system to communities lacking in basic health care delivery and resources.
2. Improve health care through more comprehensive, less costly primary care service to underserved urban residents.
3. Integrate educational and human services in local communities.
4. Provide steps and assistance to improve community street safety.
5. Provide social services that are more responsive to the need of the community residents and that contribute to neighborhood revitalization.

URBAN POLICY OBJECTIVE NO. 9

Improve the Urban Physical Environment and the Cultural and Aesthetic Aspects of Urban Life and Reduce Urban Sprawl

Policy Statement:

There are no quick cures to the severe community development, community service and housing problems faced by distressed cities. All levels of government, the private sector and neighborhood groups must respond to them before they get worse. Otherwise inefficient use of scarce public resources, economic decline as industries close down or move away, and, most important, deterioration in the quality of life for many American men and women and children can be expected to continue. The Administration's urban policy is aimed at extending the capacity of cities to:

- Revitalize potentially healthy but now decaying neighborhoods;
- Provide improved housing, community services, cultural and recreational opportunities to neighborhood residents;
- Meet environmental standards and allow residents to breath clean air and drink safer water;
- Preserve, protect and efficiently use existing roads, water and sewer systems and other valuable public facilities;
- Provide efficient, accessible and environmentally sound transportation choices to people and business.

In addition, efforts will be focused on expanding decent housing choices in cities and supporting the "back to the city" movement now beginning to appear in many cities. However, attempts to help cities retain or attract middle class households will not be done at the expense of the poor.

Since resources are limited, the Administration intends to target funding first to the cities in distress and their most troubled residents. But actions should also be taken in healthier cities to prevent blight and environmental deterioration and expand housing and neighborhood choices fortheir low income and minority men and women.

Strategies for Implementation Carrying out community development policy will require several strategies. The Federal government will:

- Require cities to eliminate legal or quasi legal restrictions on housing opportunities for low income and minority groups.
- Ask cities to develop comprehensive community development and housing policies and channel increased Federal aid to those that do.
- Support the development by urban localities of comprehensive metropolitan development strategies aimed at eliminating sprawl and revitalizing central cities.
- Use transportation as an incentive program to leverage public and private urban revitalization activities and make urban transportation programs more effective tools to accomplish improved transportation and broad economic, environmental and social goals.
- Target expanded community development aid to distressed cities and distressed neighborhoods.
- Provide expanded housing opportunities for low, moderate and middle income households in both cities and suburbs.
- Define and enforce tough regulations against redlining by private lending institutions.
- Provide social services that are more responsive to the needs of city residents and that contribute to city revitalization.
- Supply funds for community and neighborhood arts and for preserving and expanding the cultural and intellectual wealth of cities.

Policy Statement:

The term "urban sprawl" vividly describes the unplanned haphazard urban developments that surround many of our cities. These development patterns have had some beneficial results, notably in providing improved housing and better neighborhoods for many moderate and middle income Americans. But urban sprawl has also:

- Degraded the environment and destroyed natural resources;
- Promoted the construction of costly service facilities that are not used efficiently;
- Wasted rich agricultural land;
- Wasted scarce energy resources;
- Weakened economic and social conditions in older cities as residents and businesses left for suburban areas.

The Nation can no longer afford the costs. The Administration will use all tools available to reduce sprawl. Its efforts must be accompanied by housing and community development strategies to offset any negative effect the fight against sprawl might have on housing choices.

Strategies for Implementation The Administration will initiate the following strategies to encourage more efficient land development patterns:

- Amend Federal programs to support anti-sprawl objectives. We should look critically at the sprawl-inducing effect of Federal actions. Aid to states, cities and builders should be clearly related to their impact on land development. We should favor proposals supporting: (1) compact community development over scattered, fragmented development; and (2) revitalization over new development.
- Coordinate Federal and state actions affecting development. We should coordinate Federal development activities with those of the states. If we do not, development undertaken or assisted by both levels of government will encourage land use patterns that result in pollution, clogged highways, underused public services and utilities, and wasteful use of scarce land resources.

Our efforts with states should encompass:

- Use of Federal and state construction, transportation, water and sewer programs in existing urban areas;
- Removal of Federal and state tax, business and insurance regulations favoring decentralization.

- Stimulate coordinated metropolitan wide land use plans and development programs. It will work with states to encourage development of coordinated metropolitan wide land use plans and development programs. Planning aid will be given to those metropolitan jurisdictions willing to demonstrate area-wide approaches to stopping sprawl. These efforts will be encouraged through supplemental Federal funds.

Under the Carter Administration, preparation of the Congressionally-mandated national urban policy report was merged with fulfillment of a Presidential campaign commitment to develop a national urban policy that would focus national resources upon the preservation of the Nation's cities. This urban policy report presents much of the analysis and data upon which the President, with assistance of the Urban and Regional Policy Group, formulated his policy and based his recommendations.

Since March 27, 1978, when President Carter presented his comprehensive urban policy to Congress and to the Nation, the national urban policymaking process has entered a new phase. Now departments and agencies throughout the Federal government are taking steps to reform existing programs and to develop proposals for legislative action. State and local government officials are preparing themselves to enter into the partnership opportunities that are being opened, as are private entrepreneurs, voluntary associations, and neighborhood groups.

In the course of these actions, and in the course of Congressional review, new insights will undoubtedly be produced, and new dimensions added to the national urban policy. For a national urban policy cannot be made once for all time. It is a product of deliberation and interaction and will be changed as new information becomes available and as further deliberation and interaction reveal ways to make public actions more responsive to community needs.

Two years from now, another national urban policy report will be submitted to Congress by President Carter. By then sufficient time will have lapsed to permit an assessment of the fruits of this effort. By then it may be possible to tell how much better off cities are as a result of deliberate efforts to reduce the inadvertent harm that governments commit when they try to do good and to increase the coordination and targeting of Federal assistance for the Nation's urban areas and people.

Specifically, using the 1978 Report as the foundation, the 1980 National Urban Policy Report would:

- Assess how successful the "New Partnership" initiative has been.
- Focus on the evaluation of each of the Urban Policy objectives, reporting on problems in their implementation and any policy refinements and additional urban policy recommendations. This would be the core part of the 1980 Report.
- Highlight select urban policy initiatives and actions such as the urban impact procedure, the modifications to Federal programs in making them

more urban sensitive, the accomplishments of the public/private sector efforts to conserve communities.

- Place less emphasis on a lengthy discussion of trends and present a summary picture of where urban America is going. Urban trends will not change significantly from what we see today. The 1982 Report as mentioned earlier, with new 1980 Census data might provide a greater contribution in this area.
- Continue the "open dialogue" process on urban policy as identified in this Report.

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Title VII—National Urban Policy and New Community Development Act of 1970

Short Title and Statement of Purpose

Sec. 701. (a) This title may be cited as the "National Urban Policy and New Community Development Act of 1970."

(b) It is the policy of the Congress and the purpose of this title to provide for the development of a national urban policy and to encourage the rational, orderly, efficient and economic growth, development, and redevelopment of our states, metropolitan areas, cities, counties, towns and communities in predominantly rural areas which demonstrate a special potential for accelerated growth; to encourage the prudent use and conservation of energy and our natural resources; and to encourage and support development which will assure our communities of and their residents adequate tax bases, community services, job opportunities, and good housing in well-balanced neighborhoods in socially, economically, and physically attractive living environments.

Part A—Development of a National Urban Policy

Findings and Declaration of Policy

Sec. 702. (a) The Congress finds that rapid changes in patterns of urban settlement, including change in population distribution and economic bases of urban areas, have created an imbalance between the Nation's needs and resources and seriously threaten our physical and social environment, and the financial viability of our cities, and that the economic and social development of the Nation, the proper conservation of our energy and other natural resources, and the achievement of satisfactory living standards depend upon the sound, orderly and more balanced development of all areas of the Nation.

(b) The Congress further finds that Federal programs affect the location of population, economic growth, and the character of urban development; that such programs frequently conflict and result in undesirable and costly patterns of urban development and redevelopment which adversely affect the environment and wastefully use energy and other natural resources; and that existing and future programs must be interrelated and coordinated within a system of orderly development and established priorities consistent with a national urban policy.

(c) To promote the general welfare and properly apply the resources of the Federal government in strengthening the economic and social health of all areas of the Nation and more adequately protect the physical environment and conserve energy and other natural resources, the Congress declares that the Federal government, consistent with the responsibilities of state and local government and the private sector, must assume responsibility for the development of a national urban policy which shall incorporate social, economic and other appropriate factors. Such policy shall serve as a guide in making specific decisions at the national level which affect the pattern of urban development and redevelopment and shall provide a framework for development of interstate, state, and local urban policy.

(d) The Congress further declares that the national urban policy should—

(1) favor patterns of urbanization and economic development and stabilization which offer a range of alternative locations and encourage the wise and balanced use of physical and human resources in metropolitan and urban regions as well as in smaller urban places which have a potential for accelerated growth;

(2) foster the continued economic strength of all parts of the United States, including central cities, suburbs, smaller communities local neighborhoods, and rural areas;

(3) encourage patterns of development and redevelopment which minimize disparities among states, regions, and cities;

(4) treat comprehensively the problems of poverty and employment (including the erosion of tax bases, and the need for better community services and job opportunities) which are associated with disorderly urbanization and rural decline;

(5) develop means to encourage good housing for all Americans without regard to race or creed;

(6) refine the role of the Federal Government in revitalizing existing communities and encouraging planned, large-scale urban and new community development;

(7) strengthen the capacity of general governmental institutions to contribute to balanced urban growth and stabilization; and

(8) facilitate increased coordination in the administration of Federal programs so as to encourage desirable patterns of urban development and redevelopment, encourage the prudent use of energy and other natural resources, and protect the physical environment.

National Urban Policy Report

Sec. 703. (a) The President shall transmit to the Congress during February 1978, and during February

of every even-numbered year thereafter, a Report on National Urban Policy which shall contribute to the formulation of such a policy, and in addition shall include—

(1) information statistics and significant trends relating to the pattern of urban development for the preceding two years;

(2) a summary of significant problems facing the United States as a result of urban trends and developments affecting the well-being of urban areas;

(3) an examination of the housing and related community development problems experienced by cities undergoing a growth rate which equals or exceeds the national average;

(4) an evaluation of the progress and effectiveness of Federal efforts designed to meet such problems and to carry out the national urban policy;

(5) an assessment of the policies and structure of existing and proposed interstate planning and developments affecting such policy;

(6) a review of state, local, and private policies, plans, and programs relevant to such policy;

(7) current and foreseeable needs in the areas served by policies, plans, and programs designed to carry out such policy, and the steps being taken to meet such needs; and

(8) recommendations for programs and policies for carrying out such policy, including such legislation and administrative actions as may be deemed necessary and desirable.

(b) The President may transmit from time to time to the Congress supplementary and revised recommendations as may be appropriate.

President's Message to Congress on the National Urban Policy

To the Congress of the United States:

I submit today my proposals for a comprehensive national urban policy. These proposals set a policy framework for actions my Administration has already taken, for proposed new initiatives, and for our efforts to assist America's communities and their residents in the years to come. The policy represents a comprehensive, long-term commitment to the Nation's urban areas.

The urban policy I am announcing today will build a New Partnership involving all levels of government, the private sector, and neighborhood and voluntary organizations in a major effort to make America's cities better places in which to live and work. It is a comprehensive policy aimed both at making cities more healthy and improving the lives of the people who live in them.

The major proposals will:

- Improve the effectiveness of existing Federal programs by coordinating these programs, simplifying planning requirements, reorienting resources, and reducing paperwork. And the proposals will make Federal actions more supportive of the urban policy effort and develop a process for analyzing the urban and community impact of all major Federal initiatives.
- Provide employment opportunities, primarily in the private sector, to the long-term unemployed and the disadvantaged in cities. This will be done through a labor-intensive public works program and tax and other incentives for business to hire the long-term unemployed.
- Provide fiscal relief to the most hard-pressed communities.
- Provide strong incentives to attract private investment to distressed communities, including the creation of a National Development Bank, expanded grant programs and targeted tax incentives.
- Encourage states to become partners in assisting urban areas through a new incentive grant program.
- Stimulate greater involvement by neighborhood organizations and voluntary associations through funding neighborhood development projects and by creating an Urban Volunteer Corps. These efforts will be undertaken with the approval of local elected officials.
- Increase access to opportunity for those disadvantaged by economic circumstances or a history of discrimination.
- Provide additional social and health services to disadvantaged people in cities and communities.
- Improve the urban physical environment and the cultural and aesthetic aspects of urban life by providing additional assistance for housing rehabilitation, mass transit, the arts, culture, parks and recreation facilities.

America's communities are an invaluable national asset. They are the center of our culture, the incubators of new ideas and inventions, the centers of commerce and finance, and the homes of our great museums, libraries and theatres. Cities contain trillions of dollars of public and private investments—investments which we must conserve, rehabilitate and fully use.

The New Partnership I am proposing today will focus the full energies of my Administration on a comprehensive, long-term effort. It will encourage states to redirect their own resources to support their urban areas more effectively. It will encourage local governments to streamline and coordinate their own activites. It will offer incentives to the private sector to make new investments in economically depressed communities. And it will involve citizens and neighborhood and voluntary organizations in meeting the economic and social needs of their communities.

The New Partnership will be guided by these principles:

- Simplifying and improving programs and policy at all levels of government.
- Combining the resources of Federal, state and local government, and using them as a lever to involve the even greater strength of our private economy to conserve and strengthen our cities and communities.
- Being flexible enough to give help where it is most needed and to respond to the particular needs of each community.
- Increasing access to opportunity for those disadvantaged by economic circumstances or history of discrimination.
- And above all, drawing on the sense of community and voluntary effort that I believe is alive in America, and on the loyalty that Americans feel for the neighborhoods.

The need for a New Partnership is clear from the record of the last fifteen years. During the 1960's, the Federal government took a strong leadership role in responding to the problems of the cities. The Federal government attempted to identify the problems, develop the solutions and implement the programs. State and local governments and the private sector were not sufficiently involved. While many of these programs were successful, we learned an important lesson: that the Federal government alone has neither

the resources nor the knowledge to solve all urban problems.

An equally important lesson emerged from the experience of the early 1970's. During this period, the Federal government retreated from its responsibilities, leaving states and localities with insufficient resources, interest or leadership to accomplish all that needed to be done. We learned that states and localities cannot solve the problems by themselves.

These experiences taught us that a successful urban policy must build a partnership that involves the leadership of the Federal government and the participation of all levels of government, the private sector, neighborhood and voluntary organizations and individual citizens.

Prior Actions

The problems of our Nation's cities are complex and deep-seated. They have developed gradually over a generation as a result of private market and demographic forces and inadvertent government action; and the problems worsened markedly during the early 1970's.

These problems will not be solved immediately. They can be solved only by the long-term commitment which I offer today, and by the efforts of all levels of government, the private sector and neighborhood and voluntary organizations.

For my Administration, this commitment began on the day I took office and it will continue throughout my Presidency. With the cooperation of Congress, my Administration has already provided substantial increases in funding in many of the major urban assistance programs. Total assistance to state and local governments has increased by 25 percent, from $68 billion in FY 1977 to $85 billion in FY 1979. These increases are the direct result of actions we have taken during the past 14 months. They are as much a part of my Administration's urban policy as the initiatives which I am announcing today. Some of the most important programs have already been enacted into law or proposed to the Congress. These include:

- A $2.7 billion increase over three years in the Community Development Block Grant Program, accompanied by a change in the formula to provide more assistance to the older and declining cities.
- A $400 million a year Urban Development Action Grant Program providing assistance primarily to distressed cities.
- An expansion of youth and training programs and an increase in the number of public service employment jobs, from 325,000 to 725,000. Expenditures for employment and training doubled from FY '77 to FY '79 to over $12 billion.
- A $400 million private sector jobs proposal has been included in my proposal to reauthorize the CETA legislation. This initiative will encourage private businesses to hire the long-term unemployed and the disadvantaged.
- A sixty-five percent increase in grants provided by the Economic Development Administration to urban areas.
- A thirty percent increase in overall Federal assistance to education, including a $400 million increase in the Elementary and Secondary Education Act, targeted in substantial part to large city school systems with a concentration of children from low-income families.
- An economic stimulus package enacted last year, (Anti-Recession Fiscal Assistance, Local Public Works and CETA) which provided almost $9 billion in additional aid to states and cities.
- A welfare reform proposal which, upon passage, will provide immediate fiscal relief to state and local governments.
- A doubling of outlays for the Section 312 housing rehabilitation loan program.
- Creation of a consumer cooperative bank which would provide financing assistance to consumer cooperatives which have difficulty obtaining conventional financing.

Improvements in Existing Programs

The Administration's Urban and Regional Policy Group (URPG) has examined all of the major urban assistance programs and proposed improvements. It also has worked with agencies traditionally not involved in urban policy, such as the Defense Department, the General Services Administration, and the Environmental Protection Agency, and has developed proposals to make their actions more supportive of urban areas. As a result of this massive effort, the Federal goverrnment has become more sensitive to urban problems and more committed to their solutions.

The review of existing Federal programs has resulted in more than 150 improvements in existing programs. Most of these improvements can be undertaken immediately through administrative action. Some will require legislation. None will increase the Federal budget.

A few examples of the improvements are:

- All agencies will develop goals and timetables for minority participation in their grants and contracts—five major agencies have already begun.
- The Defense Department will set up a new program to increase procurement in urban areas.

- EPA will modify its water and sewer program to discourage wasteful sprawl.
- HUD has retargeted the Tandem Mortgage Assistance Program to provide greater support for urban housing.
- The existing countercyclical fiscal assistance program will be retargeted to help governments with unemployment rates above the national average.
- HUD and EDA are developing common planning and application requirements.
- The General Services Administration will attempt to locate Federal facilities in cities whenever such a location is not inconsistent with the agency's mission.
- The Department of Transportation has proposed legislation to consolidate many categories of urban highway and transit grants, and to standardize the local matching share. These steps will provide local governments with greater flexibility to develop transportation systems suited to their needs.
- The Environmental Protection Agency will amend its regulations to accommodate new economic development in high pollution areas. Localities will be permitted to "bank" reductions in pollution which result from firms going out of business. These reductions then can be transferred to new firms locating in the community.

The effect of all these changes may be greater than even the substantial new initiatives which I have proposed in this message.

New Initiatives

The new initiatives which I am announcing today address five major urban needs:

1) Improving the operation of Federal, state and local governments.
2) Employment and Economic Development
3) Fiscal Assistance
4) Community and Human Development
5) Neighborhoods and Voluntary Associations

These intiatives require $4.4 billion in budget authority, $1.7 billion in new tax incentives, and $2.2 billion in guaranteed loan authority in FY 1979. For FY 1980 the budget authority will be $6.1 billion, the tax incentives $1.7 billion and the guaranteed loan authority $3.8 billion.

Federal Programs

Over the long run, reorganization of the economic and community development programs may be necessary. Last June, I directed my reorganization project staff in the Office of Management and Budget to begin exploring the reorganization options. They have completed the first stages of this work. During the next several months, they will consult with the Congress, state and local officials and the public to develop the best solution.

There are several actions I will take immediately.

Urban and Community Impact Analysis I am implementing a process through my Domestic Policy Staff (DPS) and Office of Management and Budget (OMB) to ensure that we do not inadvertently take actions which contradict the goals of the urban policy. Each agency submitting a major domestic initiative must include its own urban and community impact analysis. DPS and OMB will review these submissions and will ensure that any anit-urban impacts of proposed Federal policies will be brought to my attention.

Interagency Coordinating Council To improve program coordination, I will form an Interagency Coordinating Council, composed of the Assistant Secretaries with major program responsibilities in the key urban departments. The Council will have two functions:

It will serve as a catalyst for operational improvements which cut across Departments (for example, instituting uniform grant applications); and it will encourage interagency cooperation on projects which are too large or too complex to be funded by one agency. This Council will, for the first time, provide a coordinated Federal response to communities which develop comprehensive and multi-year projects. It will have direction from the Executive Office of the President.

Consolidating Planning Requirements and Other Management Improvements We soon will announce the consolidation of intra-agency planning requirements. I have asked the Director of the Office of Management and Budget to direct an interagency task force to improve the management of Federal grant-in-aid programs and consolidate the numerous planning requirements in the community and economic development grant programs.

Improved Data and Information I have asked the Secretary of Commerce, in her capacity as Chair of the Statistical Policy Coordination Committee, to design an improved urban data and information system. At the present time much of this data is inadequate or out of date.

The Role of State Governments

State government policies, even more than Federal policies, are important to the fiscal and economic health of cities. States affect their cities in a number of ways, including setting taxation and annexation

powers, determining the placement of major development investments and apportioning the financial responsibility for welfare and education expenditures.

The Federal government has little or no control over these developments, all of which clearly affect the economic and fiscal health of cities and communities.

These state responsibilities underscore the need for an urban policy which includes the states as full and equal partners. The effectiveness of our urban policy will be enhanced if the states can be encouraged to complement the Federal effort.

To encourage states to support their urban areas, I will offer a new program of state incentive grants. These grants will be provided, on a discretionary basis, to states which adopt approved plans to help their cities and communities. The plans must be developed with the participation and approval of communities within the state. The grants will be provided to the states to finance a portion of the plan. The State Incentive Grant Program will be administered by HUD and will provide $400 million over two years.

Local Government Role

Many communities and cities can improve management and planning improvements by reforming fiscal management practices, streamlining local regulatory procedures, and coordinating local community and economic development activities.

The Federal government provides planning and technical assistance to communities through HUD and Commerce to help cities improve their management and planning practices. These funds will be used increasingly to build the local government's capacity to undertake the necessary fiscal and management reforms.

The Federal government will offer special consideration in discretionary programs to cities which achieve coordinted action at the local level.

II. Employment and Economic Development

There is a serious shortage of jobs for many residents of our urban areas and a lack of investment to build the tax base of our cities.

The urban policy will address this issue in two ways.

In the short run, it will provide additional employment opportunities through a labor-intensive public works program, a targeted employment tax credit, and a private sector training and jobs initiative to encourage businesses to hire the hardcore unemployed, together with the extension I have already proposed in employment and training opportunities under the CETA Act.

In the long run, the policy attempts to rebuild the private sector economic base of these communities through a National Development Bank, a special tax incentive, an increase in economic development grants and other incentives.

Labor-intensive Public Works

I ask Congress for $1 billion a year for a program of labor-intensive public works, targeted on communities with high unemployment. Half of the estimated 60,000 full-time equivalent jobs created annually by this program will be reserved for the disadvantaged and the long-term unemployed. These workers will be paid at Davis-Bacon trainee wage levels.

This program will enable cities to make needed repairs on buildings, streets, parks, and other public facilities.

In contrast to the Local Public Works program—which involves projects requiring large equipment, material expenditures and a prolonged planning period—more of the funds under this labor-intensive program will go to job creation.

Targeted Employment Tax Credit

I also proposed a Targeted Employment Tax Credit to encourage business to hire disadvantaged young workers between the ages of 18 and 24 who suffer the highest unemployment rates in the Nation.

Under my proposal, private employers of young and disadvantaged, or handicapped, workers would be entitled to claim a $2,000 tax credit for each eligible worker during the first year of employment and a $1,500 credit for each eligible worker during the second year.

I am proposing this Targeted Employment Tax Credit as a substitute for the expiring Employment Tax Credit. The current program costs $2.5 billion a year and has had little influence on hiring decisions. The Administration's targeted program will cost approximately $1.5 billion a year, with far greater impact.

Location of Federal Facilities

I will sign a new Executive Order directing the General Services Administration to give first priority to cities in locating new Federal facilities or consolidating or relocating existing facilities. Under my Administration, Federal facilities will be located in cities, unless such a location is inconsistent with the agency's mission.

Federal buildings and facilities can be an important source of jobs and of rental payments and, in many cities, a principal stabilizing force preventing decline.

The Federal government should set an example for the private sector to invest in urban areas.

Federal Government Procurement

To assure that Federal procurement is used to strengthen the economic base of our Nation's cities and communities, I will:

- strengthen the implementation of the existing procurement set-aside program for labor surplus areas, by directing the General Services Administration to work with each agency to develop specific procurement targets and to monitor their implementation. GSA will report to me every six months on the progress of each Agency;
- direct the Defense Department to implement an experimental program to target more of its procurement to high unemployment areas.

National Development Bank

I propose the creation of a National Development Bank, which would encourage businesses to locate or expand in economically distressed urban and rural areas. The Bank would be authorized to guarantee investments totaling $11 billion through 1981.

To lower operating costs in urban areas, the Bank would provide long-term, low-cost financing which, in conjunction with expanded grant programs administered by HUD and EDA, will reduce a firm's financing costs by up to 60 percent.

The Bank uses four major financing tools:

- Grants of up to 15 percent of a firm's total capital cost, to a maximum $3 million, for fixed assets of a project. The grants, which would be made under expanded EDA and HUD authorities, would cover expenditures for land assembly, site preparation, rehabilitation, and equipment.
- Loan guarantees, provided by the Bank to cover three-quarters of the remaining capital costs up to a maximum of $15 million per project. The Bank could, at its discretion, reduce the interest rate down to two and one-half percent for particularly desirable projects. Bank financing would be conditioned on obtaining 21 percent of the project's total costs from private lenders.
- The ceiling for industrial reserve bonds in economically distressed areas would be increased from $5 to $20 million with the approval of the Bank. A business which used this financing for a project could also receive a grant.
- The Bank also will provide a secondary loan market for private loans in eligible areas to finance capital expenditures. This will be particularly beneficial to small businesses.

Bank projects will require the approval of state or local government economic development entities, which would be responsible to the elected local leadership. Distressed urban and rural areas would be eligible. Additional employment would be a key test of project eligibility.

The Bank will be an interagency corporation, governed by a Board composed of the Secretaries of HUD, Commerce and the Treasury. This will ensure coordination between the major economic, community development and urban finance agencies of the government.

The Office of Management and Budget is currently assessing the organization of the Federal economic and community development activities. The Bank will function on an interagency basis pending recommendations in this area.

Economic Development Grants

I propose substantial increases of $275 million each in the UDAG grant program and the EDA Title IX program. These increases will be used in conjunction with the financing incentives available from the National Development Bank.

Taken together these major increases will help leverage substantial new private sector investment in urban areas and address the long-term economic deterioration experienced by certain urban and rural areas.

Differential Investment Tax Credit

I propose that firms that locate or expand in economically distressed areas be eligible for a differential 5 percent investment tax credit, to a total of 15 percent for both structures and equipment. The credit would be available only to firms awarded "Certificates of Necessity" by the Commerce Department based on financing need and employment potential.

Commerce will be authorized to issue up to $200 million in certificates for each of the next two years.

Air Quality Planning Grants

I propose a $25 million planning grant program to help cities and communities comply with the Clean Air Act without limiting severely new, private sector investment within their areas.

I have also asked EPA, HUD and EDA to provide technical assistant to help local governments reconcile potential conflicts between air pollution and economic development goals.

Minority Business

Minority businesses are a critical part of the private sector economic base of many cities, communities and neighborhoods, and provide important employment opportunities to city residents.

I propose today two important initiatives which will increase the role of minority businesses in our economy. First, in comparison with FY 1977 levels, we will triple Federal procurement from minority businesses by the end of FY 1979—an increase over our earlier commitment to double minority procurement.

In addition, I intend to ask all Federal agencies to include goals for minority business participation in their contract and grant-in-aid programs. Five agencies—HUD, Commerce, EPA, Interior and DOT—already have proposed improvements in minority business programs. These programs all build on our successful experience with the Local Public Works Program.

Finally, I intend to facilitate greater interaction between the minority business community and the leaders of our Nation's largest corporations.

Community Development Corporations

I propose that an additional $20 million be appropriated to the Community Services Administration as venture capital for the most effective Community Development Corporations. This assistance will help them have a substantial impact on their designated areas.

The funding will be made available for projects that receive support from local elected officials, involve leveraging private sector funds and are coordinated with HUD, EDA or the Small Business Administration.

Role of Private Financial Institutions

An effective urban strategy must involve private financial institutions. I am asking the independent financial regulatory agencies to develop appropriate actions, consistent with safe, sound and prudent lending practices, to encourage financial institutions to play a greater role in meeting the credit needs of their communities.

First, I am requesting that financial regulatory agencies determine what further actions are necessary to halt the practice of redlining—the refusal to extend credit without a sound economic justification. I will encourage those agencies to develop strong, consistent and effective regulations to implement the Community Reinvestment Act.

Second, I propose the creation of an Institute for Community Investment, under the Federal Home Loan Bank Board. The Institute will bring together appraisers, realtors, lenders, buidling and insurance companies to develop a consistent approach toward urban lending and to train urban lending specialists.

Third, I propose a pilot program to create Neighborhood Commercial Reinvestment Centers under the Comptroller of the Currency. This proposal is an adaptation of the highly successful Urban Reinvestment Task Force housing credit concept to the commercial credit area. Neighborhood Commercial Reinvestment Centers will be local organizations, comprised of merchants and neighborhood residents, local government officials, and commercial banks which will provide business credit in urban neighborhoods. SBA, EDA, and HUD will work with the financial regulatory agencies to revitalize specific commercial areas.

Finally, I have asked the Secretary of Housing and Urban Development to chair an interagency task force to evaluate the availability of credit in urban areas and recommend appropriate further action. I have asked the task force to examine and make recommendations with respect to the following areas:

- The availability of mortgage and commercial credit in urban areas, and the impacts of the activities of Federal agencies on such credit;
- Existing mortgage insurance, casualty insurance and business credit insurance programs;
- The full range of urban credit and insurance risk reduction techniques.

III. Fiscal Assistance

While the fiscal condition of many state and local governments has improved dramatically over the last

three years, many cities and communities still are experiencing severe problems. These cities and communities require fiscal assistance from the Federal government, if they are to avoid severe service cutbacks or tax increases.

Supplemental Fiscal Assistance

Cities and communities currently receive fiscal assistance through the Anti-Recession Fiscal Assistance Act (ARFA), which expires on September 30, 1978. This program has been an effective tool for helping states and local governments withstand the fiscal impact of high unemployment.

Current unemployment projections, however, suggest that even if the ARFA program were extended in its current form, it would phase out by mid-FY 1979, when unemployment is expected to drop below six percent. If the program is permitted to phase out, many cities and communities will experience severe fiscal strain.

I propose today that ARFA be replaced with a Supplemental Fiscal Assistance Program, which will provide $1 billion of fiscal assistance annually for the next two fiscal years to local governments experiencing significant fiscal strain. Further extension of this program will be considered together with General Revenue Sharing.

Fiscal Relief in Welfare Proposal

In addition, I propose to phase in the fiscal relief component of the Better Jobs and Income Act as soon as Congress passes this legislation, rather than in 1981 as originally planned.

IV. Community and Human Development

A comprehensive program to revitalize America's cities must provide for community and human needs. This involves both physical facilities, such as parks, recreation facilities, housing and transportation systems, and the provision of health and social services.

Housing Rehabilitation

The conservation and upgrading of our housing stock is important to maintaining the strength of urban areas. Housing rehabilitation improves the quality of community life and provides construction jobs in areas of high unemployment.
I propose an additional $150 million in FY 1979 for the Section 312 rehabilitation loan program, which will more than double the existing program. This expanded effort will permit the rehabilitation of small multi-family housing projects in distressed neighborhoods, for which financing presently is inadequate. In addition, expanded Section 312 funding will be used to strengthen the Urban Homesteading program.

Urban Transportation

In many cities, public transportation is inadequately financed. The Federal government has begun to make substantial investments to rehabilitate, revitalize and construct urban transportation systems.

I have already submitted to Congress my proposals to extend and strengthen the highway and mass transit programs.

To supplement these efforts I today propose an additional $200 million for capital investments in intermodal urban transportation projects. These funds will be used to link existing transportation facilities in selected cities.

Resource Recovery Planning

Solid waste disposal is a growing problem in the many urban areas which face a shortage of landfill sites. At the same time, techniques to recover valuable resources and energy from solid waste have emerged.

I will request $15 million for the EPA to provide grants of $300,000 to $400,000 to cities for feasibility studies of solid waste recovery systems.

Arts and Culture

Cities are centers of culture and art, which thrive on the vitality of the urban environment.

To help renew and develop this artistic and cultural spirit, I propose a new Livable Cities program administered by the Department of Housing and Urban Development, with the participation of the National Endowment for the Arts. This program will provide up to $20 million in grants to states and communities for neighborhood- and community-based arts programs, urban design and planning, and the creation and display of art in public spaces. Historic preservation of buildings should also be encouraged.

Urban Parks and Recreation

The quality of life in urban areas is critically affected by the availability of open spaces and recreation facilities. Yet hard pressed communities often lack the resources to maintain and invest adequately in these amenities.

To address this problem, I proposed a major new Federal grant program. Urban communities will compete for funds to revive and rebuild parks and recreation facilities. Challenge grants totalling $150 million will be provided for construction and major rehabilitation of urban recreation systems, such as parks, tennis and basketball courts, swimming pools, bicycle paths, and other facilities. Cities will be awarded grants based on the quality of their planning, the degree of need and their ability to match the Federal funds with private and local contributions.

Social Services

Urban revitalization efforts must be accompanied by efforts to help those in need to improve their own lives. A variety of income support and social service programs are designed to do this. Since 1974, however, the support given to state social service programs by the Federal government has declined in real terms.

I propose an additional $1.50 million of new budget authority for the Title XX program. These funds will be used to improve the delivery of social services in urban areas—ranging from Meals on Wheels for the elderly to day care for children of working mothers—and to develop greater coordination between local, public and private agencies.

Health Services

Nearly 50 million Americans live in areas without adequate health services. These areas, many of which are in inner cities, suffer from higher infant mortality rates, greater poverty and shortages of health care personnel.

In underserved areas, emergency room and outpatient departments of city hospitals are used as the routine source of medical care by the poor, primarily due to the lack of private physicians. As these departments were not designed to provide comprehensive medical care, the hospital resources are strained and the poor often go without adequate care.

To help meet the primary health care needs of the urban poor and reduce the strain on city hospitals, I proposed to expand federally-supported Community Health Centers and to fund city-sponsored programs which provide comprehensive, but less costly, primary care services. The city-sponsored programs will enroll the medically indigent in existing health systems, such as HMOs. They also will help expand locally-supported centers, reform hospital outpatient departments and provide comprehensive health services.

Education

Schools are the focus of community activities in many places. Yet they are seldom fully used or linked to other community and social services.

I intend to provide $1.5 million to expand the experimental Cities in Schools program which seeks to bridge the gap by uniting a number of social services within schools to better serve both students and their families. We intend to expand this promising new program to 10 pilot schools.

In addition, I urge the Congress to enact the $600 million increase in the Title I program of the Elementary and Secondary Education Act, which I recently proposed, including my recommendation that $400 million of these funds be targeted to cities and other areas with high concentrations of low-income families.

V. Neighborhoods and Volunteer Organizations

No resource of our urban communities is more valuable than the commitment of our citizens.

Volunteer groups, which gain strength from the selfless efforts of many individuals, make an indispensable contribution to their cities.

Urban Volunteer Corps

I propose a $40 million program in ACTION to increase the effectiveness of voluntary activities at the local level. With the agreement of local government, the program will create a corps of volunteers at the local level and match their skills with the needs of local governments and community and neighborhood organizations.

It also will provide small grants averaging $5,000 for voluntary improvement and beautification projects.

ACTION would select, with the concurrence of local government, a lead agency in each city to administer the Urban Volunteer Corps.

Self-Help Development Program

Neighborhood associations are playing a key role in housing and neighborhood revitalization. We must strengthen that role.

I will request $15 million FY 1979 for a self-help development program to be administered by the Office for Neighborhoods in HUD.

This new program will provide funds for specific housing and revitalization projects in poor and low-income areas. Each project would involve the participation of local residents, the private sector and local government and would require the concurrence of the mayor.

Crime Prevention

Street crime is a serious problem in America's cities and communities. Over the last few years a number of promising initiatives have been undertaken by community groups and local law enforcement agencies to combat street crime. Escort services for the elderly, centers to help the victims of crime, and neighborhood watchers are examples of promising developments.

I propose a program which will add $10 million in new resources to existing efforts in the Law Enforcement Assistance Administration for a program operated jointly by ACTION and LEAA. Under this program, mayors and local neighborhood groups will develop community crime prevention programs based on successful pilot models. My reorganization proposals for LEAA and the legislation I will submit to extend the Law Enforcement Assistance Act will strengthen our efforts at crime prevention.

Community Development Credit Unions

Some urban communities are not served by any financial institutions. Community Development Credit Unions address this problem by investing their assets in the communities in which they are established. This type of credit union was first established under the poverty programs in the 1960's. About 225 exist today, and many are the only financial institutions in their communities.

I am proposing a $12 million program to provide $200,000 seed capital for new Community Development Credit Unions, to provide them with an operating subsidy for staff, training and technical assistance.

The job of revitalizing the urban communities of our country will not be done overnight. Problems which have accumulated gradually over generations cannot be solved in a year or even in the term of a President.

But I believe that a New Partnership—bringing together in our common effort all who have a stake in the future of our communities—can bring us closer to our long-term goals. We can make America's cities more attractive places in which to live and work; we can help the people of urban America lead happier and more useful lives. But we can only do it together.

Jimmy Carter

The White House
March 27, 1978

Appendix C

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